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MERIDA INDUSTRY CO., LTD.

2021 Annual Report

Printed Date: June 1, 2022

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English Website: <http://www.merida-bikes.com>

Contents

	<u>Page</u>
I. Report to the Shareholders.....	4
i. Business Report of 2021.....	4
ii. Outline for 2022 Business Plans.....	8
iii. Future Development Strategies.....	9
iv. The Impacts by the External Competitive Environment, Regulatory Environment, and Macroeconomic Circumstances.....	9
II. Company Profile.....	10
i. Date of Incorporation.....	10
ii. Company History.....	10
III. Company Governance Report.....	13
i. Organization System.....	13
ii. Information of Directors, Independent Directors, President, Vice Presidents, Associate Managers, and Supervisors of Departments and Branches.....	15
iii. Implementation of Corporate Governance.....	38
iv. Accountant Professional Charge Information.....	79
v. Replacement of Accountant.....	80
vi. Reports evaluating the independence and suitability of the Certified Public Accountant (CPA).....	81
vii. Chairman, President and the manager who is in charge of the financial or accounting affairs that have worked in accounting firm or its related corporate within the past year.....	82
viii. Changes in Share Ownership Transfer and Pledge of Shares by Directors, Independent Directors, Managers and Shareholders with Shareholding over 10% in the Most Recent Year and as of Date of Annual Report Publication.....	83
ix. Relationship among the Top Ten Shareholders.....	85
x. Shares held by Directors, Independent Directors, Managers, and Enterprises directly or indirectly Controlled by the Company in the Same Reinvestment Business.....	86
IV. Fundraising Status.....	87
i. Implementations of Capital and Shares, Corporate Bonds, Preferred Shares, Global Depositary Receipts, Employee Share Subscription Warrants, Restricted Stock Awards and M&A (incl. Merger, Acquisition and Demerger).....	87
ii. Capital Utilization Plans and their Implementations.....	94
V. Operational Overview.....	95
i. Scope of Business.....	95
ii. Market and Production & Promotion Overview.....	97
iii. Human Resources.....	102
iv. Environmental Protection Expenditure.....	103
v. Labor Relations.....	105
vi. Information and Communications Security Management.....	107
vii. Important Contracts.....	109
VI. Finance Overview.....	110
i. Condensed Financial Information in the Most Recent Five Years.....	110
ii. Financial Analysis in the Most Recent Five Years.....	116
iii. Audit Committee Review Report for Financial Report in the Most Recent Year...121	
iv. Consolidated Financial Report of 2021.....	121
v. Standalone Financial Report of 2021.....	121
vi. The Impacts of Financial Difficulties on the Financial Situation of the	

Company and its Affiliated Companies in Recent Years and as of the Date of Annual Report Publication	121
VII. Review and Analysis and Matters of Risks concerning Financial Status and Performance.....	122
i. Financial Status.....	122
ii. Financial Performance.....	123
iii. Cash Flow.....	124
iv. Influence of Material Capital Expenditure on Finance in the Most Recent Year	124
v. Investment Policies in the Most Recent Year as well as their Main Causes for Profits or Losses and Improvement Plans, and the Investment Plans for the Upcoming Year.....	125
vi. Analysis and Evaluation of Risk Matters.....	125
vii. Other Important Matters.....	128
VIII. Special Disclosure.....	129
i. Summary of Affiliated Companies.....	129
ii. Private Placement Securities in the Most Recent Year.....	134
iii. Holding or Disposal of the Company's Shares of by its Subsidiaries in the Most Recent Year and as of Date of Annual Report Publication	134
iv. Other Necessary Supplements and Descriptions.....	134
IX. For the Most Recent Year and up to the Date of the Publication of the Annual Report, Matters Referred to in Paragraph 2, Item 2, Article 36 of the Securities Exchange Law Occur.....	134

I. Report to the Shareholders

i. Business Report of 2021

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

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

We appreciate the support by all our shareholders and directors, as well as the hard work and efforts of all employees. Facing growth momentum of self-owned brand channels derived from the demand for medium and high-end (gear-shifting) bicycles in the Chinese market post-pandemic, escalated demand for the electrical bicycles and maintained demand for bicycles in American, European and other markets, as well as the strong demand for restocking conventional or electrical bicycle at sales channels, the Company will actively dispatch bicycle and electrical bicycle production lines, perform significant addition of staffs, capture available resources in the industrial chain, and increase overall production capacity to fulfill surge of market orders and to strive to achieve operational goals, break through the base period, and surpass business outcomes one after another.

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

(1) Implementation Results of the Business Plans

Unit: 10,000 Units

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

(2) Implementation Conditions
1. Consolidated

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

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

2. Standalone

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

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

(3) Profitability Analysis

1. Consolidated

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

2. Standalone

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

(4) R&D Status

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

ii. Outline for 2022 Business Plans

(1) Management Guideline:

To satisfy the product development of the Group's brands and the annual order demands from global channels, to strive for the concurrent development and growth of its own brands and strategic alliance (invested) brands, and to strive for market share in the global medium and high-end bikes and electric bikes with a view to achieve annual operating goals.

(2) Projected Sales and Its Basis:

1. On basis of the assessment on the demand for e-bike and bikes in the two major bike markets in Europe and the America, it is expected that the sales of high-end bikes marketed under our own brand in Mainland China will also enter the trend of growth, and the potential addition of incl. e-bike demands can be expected in the mid-to-long term market development; summing up the Group's annual performance corresponding to the global market circumstances, the tendency shows the positive expansion in the production and marketing scales for medium and high-end bikes built and sold in China, while the production and marketing mix of e-bikes and classic bikes produced in and exported from the Group's Taiwanese plant receives concurrently a drastic increase, yielding an increase in the overall sales volume and the average price of the product mix as well as the remarkable momentum of improvement and performance growth towards the middle and high-end products.

2. Business Goals:

Unit: 10,000 Units

Type	Business Items	Estimated Sales
Consolidated	Bike (incl. e-bike)	141
Standalone	Bike (incl. e-bike)	102

(3) Production & Marketing Strategies:

1. Production: as a measure to meet the demands driven by orders from Europe, America, China, and other emerging markets, plants under the group have been enhanced with additional automation equipment, production lines coordination, supplement and setting of reasonable manpower, and utilization of external OEM production capacity as means to increase production capacity, meanwhile improving procurement logistics and production efficiency, costs and expenses control, thereby ensuring the delivery rate of orders falling at 90% under the premise of quality as priority.
2. Marketing: The Company conducts effective management over product development, specification confirmation and pre-production while taking grasps on brand marketing and service resources as well as ensuring order, delivery and payment recovery and sales channels consolidation, with annual sales goals met under specific measures.

iii. Future Development Strategies

The Company will maintain the positioning of its brands under broad recognitions (incl. its own and invested brands) bike and e-bike products in the global middle and high-end markets, and effectively control and expand the key material sources and production capacity of e-bike products to correspond to the needs of major markets and customers; in the meantime, the Company will continue to develop and deploy emerging markets, continuously create demands and growth momentum, and pursue the improvement of the brand's positioning in the global bike market and increase its market share.

iv. The Impacts by the External Competitive Environment, Regulatory Environment, and Macroeconomic Circumstances

- (1) The transformation in the bike market in China has proceeded with diversified consumption patterns and the development toward high-value sectors; Potential demand for high-end bikes that for leisure, sports, and competitions as well as the extended high-end e-bikes series can be expected; especially for the industry chain and brand channels requiring further adjustments after the COVID-19 pandemic, which would require to grasp the medium and long-term growth momentum after market transformation; therefore, the Company's response at this stage features securing of brand and channel, the maintenance of production lines capacity as priority, and reservation of capabilities to deal with product development, production and sales and channel management for continuous expansion in the mid-to-high-end market in the future.
- (2) Echoing the global issues concerning environmental protection, health, energy saving, carbon reduction and others, the trend of sports and leisure for the senior citizens, as well as the differences in market demand in Europe, America, and Asia, the Company continues to cooperate with a number of professional e-bike systems module suppliers across Europe and Asia to actively develop new high-end e-bike for market supply; in addition, in response to the long-lasting trade (tariff) barriers set by major markets such as Europe and the United States on Chinese (origin) exports, a majority of the Company's export orders are fulfilled by Taiwan plants in concentration, and at the same time, the Company is following up on possible changes (opportunities e.g. the "exclusion" in the US Section 301) to moderately adjust the origin of production, and little by little implement the diversion of export orders and production capacity; currently, plants in Taiwan have integrated their e-bike and the bike production lines for complementary supply, while part of the e-bike rear section (module) assembly process is extended (distributed) to our plants in Germany for enhanced synergy; at present, the Company arranges its e-bike production depending on scale of available supplies by supply chain, meanwhile gradually promote its expansion to meet the continually growing demand from annual orders in the future, thereby promoting the growth of the Group's production and marketing scale and profit.

II. Company Profile

i. Date of Incorporation: September 29, 1972

ii. Company History:

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

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

1. 2017:

- (1) “Scultura Disc”: won the gold medal of 25th (2017) Taiwan Excellence Award.
- (2) “eONE-SIXTY 900-E”: won the silver medal of 25th (2017) Taiwan Excellence Award.
- (3) “eONE-SIXTY 900-E”: won the gold medal of 6th TAIPEI CYCLE d&i awards 2017.
- (4) The Company won the 11th place and valued USD 359 million in Survey of International Brand Value in Taiwan in 2017 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.
- (5) In 2017, Vincenzo Nibali, star racer of the Merida Team sponsored by Merida, won the 3rd place in GIRO and the 2nd place in Vuelta, Champion of Il Lombardia.
- (6) Star player Vincezo Nibali was invited by Merida to participate in the Merida Cup and won the championship in “Taiwan KOM Challenge”, an international road racing with record-breaking results.
- (7) Organized a series of activities such as “Chuanghua Classic 100” and “MERIDA CUP & BIKE FESTIVAL” to continuously promote cycling.
- (8) The air quality purification zones of “Sanhua Park” fostered by the Company were selected as excellent fostering units of the National Air Quality Purification Zone of the EPA in 2017.

2. 2018:

- (1) “Silex CF”: won the silver medal of 26th (2018) Taiwan Excellence Award.
- (2) “Reacto Team Disc-E”: won the silver medal of 26th (2018) Taiwan Excellence Award.
- (3) “ONE-Twenty”: won the gold medal of 7th TAIPEI CYCLE d&i awards 2018.
- (4) The Company won the 11th place and valued USD 328 million in Survey of International Brand Value in Taiwan in 2018 organized by MOEAIDB, executed by Chung-Hua Institution for

Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.

- (5) The Bahrain Merida Team star driver Vincenzo Nibali, sponsored by Merida, won the milano-san Remo championship, one of the five classical races, in 2018.
- (6) Organized a series of activities such as “Chuanghua Classic 100” and “MERIDA CUP & BIKE FESTIVAL” to continuously promote cycling.
- (7) The air quality purification zones of “Sanhua Park” fostered by the Company were assessed and selected as excellent unit for fostering and maintaining air quality in air qualification zone by Changhua County Government in 2018.

3. 2019:

- (1) “120 Full suspension mountain bike ONE-Twenty”: won the gold medal of 27th (2019) Taiwan Excellence Award.
- (2) “Time Warp TT”: won the silver medal of 27th (2019) Taiwan Excellence Award.
- (3) The Company won the 11th place and valued USD 354 million in Survey of International Brand Value in Taiwan in 2019 organized by MOEAIDB, executed by Chung-Hua Institution for Economic Research and undertaken by Interbrand, the global authoritative brand value survey organization.
- (4) In 2019, Vincenzo Nibali, star racer of Bahrain Merida Team sponsored by Merida, won the 2nd place in GIRO d’Italia, one of the three Grand Tournaments.
- (5) SILEX 700 was named as the bike of the year by well-known professional media ROAD.CC; Both cyclocross bike MISSION CX and full-suspension bike ONE-TWENTY won the German Design & Innovation Award.
- (6) Organized a series of activities such as “Chuanghua Classic 100” and “MERIDA CUP & BIKE FESTIVAL” to continuously promote cycling.
- (7) The air quality purification zones of “Yuanlin Agricultural and Industrial Vocational High School Eco-Park” and “Sanhua Park” fostered by the Company were assessed and selected as high distinction and excellent unit respectively for fostering and maintaining air quality in air qualification zone by Changhua County Government in 2019.
- (8) The Company was selected as excellent fostering unit of the National Air Quality Purification Zone of the EPA in 2019.

4. 2020:

- (1) The new generation sport electric (auxiliary) mountain bike eONE-SIXTY: won the 28th (2020) Taiwan Excellence Silver Award.
- (2) MISSION CX, the new generation cross-country sports car: won the 28th (2020) Taiwan Excellence Award.
- (3) The new generation sport electric (auxiliary) mountain bike eONE-SIXTY: won the Gold Award in the 8th Taipei International Cycle Show Innovation Design Awards (TAIPEI

CYCLE d&i awards) in 2020.

- (4) "2020 Taiwan International Brand Value Estimation", organized by the Industrial Development Bureau of the Ministry of Economic Affairs and commissioned by the Taiwan Institute for Economic Research, Merida was ranked 10th with a brand value of USD402 million by Interbrand.
- (5) Merida's fourth-generation REACTO Team (RACTO. Fleet Edition), an all-purpose aerodynamic road bike, was selected as Cyclingnews, a leading professional media in the UK, as its 2020 Gear of the Year and CyclingWeekly Editor's Choice, with a perfect 10/10 rating.
- (6) Merida's BIG.NINE XT (Big 9 XT) won first place in the professional media test by UK's MBUK.
- (7) Held the "Changhua Classic 100K" series of activities to continue to promote cycling.
- (8) The air quality purification zone of "Yuanlin Agro-Industrial Eco-Park", which is adopted by our company, has been awarded as superior by Changhua County Government in 2020 for enterprise adoptions and maintenance of air quality purification zone.

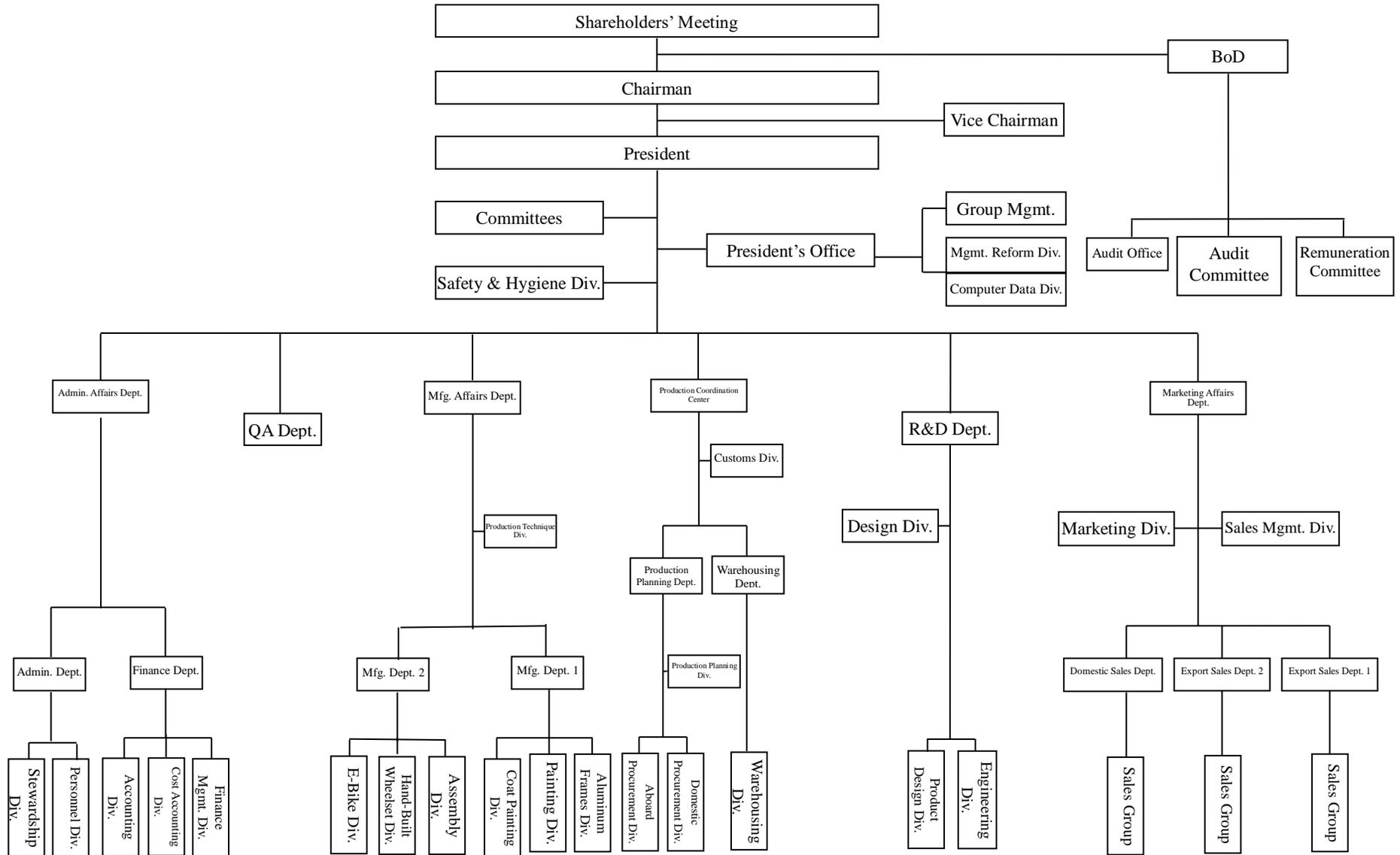
5 2021:

- (1) "All-Around Aero Bike REACTO Team-E" awarded "TAIPEI CYCLE d&i Gold Award", top accolade in the Taipei Cycle Show 2021.
- (2) "All-Around Aero Bike REACTO" awarded Silver Award in the 29th (2021) Taiwan Excellence Award.
- (3) "Cross & Down-Country Mountain Bike NINETY-SIX" awarded in the 29th (2021) Taiwan Excellence Award.
- (4) Road Bike SCULTURA 5 TEAM awarded "TAIPEI CYCLE d&i Gold Award", top accolade in the Taipei Cycle Show 2022.
- (5) Italian cycling powerhouse Sonny Colbrelli (phonetically similar to Relli the Terrible in Mandarin) of Team Bahrain Victorious sponsored by the Company clinched the champion in the 118th event of the historical Paris-Roubaix, enabling wider recognition of Merida bikes around the world.
- (6) The Company was ranked 10th with a brand value of USD 448 million, as valuated by the global brand value survey authority Interbrand under commission of Taiwan Institute for Economic Research in "2021 Taiwan International Brand Value Estimation" organized by the Industrial Development Bureau, Ministry of Economic Affairs.
- (7) Held the "Changhua Classic 100K" event as a part of continued promotion of cycling.
- (8) Continued sponsorship to the "1919 Go" Charity Fundraising Cycling.
- (9) The air quality purification zones of "Sanhua Park" fostered by the Company were assessed and selected as excellent unit for fostering and maintaining air quality in air qualification zone by Changhua County Government in 2021.

III. Company Governance Report
i. Organization System

(1) Company Organization Chart:

MERIDA INDUSTRY CO., LTD. Organization Chart



2. Major Corporate Functions:

Departments	Main Functions
Auditing Div.	Responsible for internal control, general business and financial business audit and suggestion
Management Reforming Div.	Responsible for the planning of major investments and the review of regulations and rules
Computer Data Div.	Responsible for the integration of enterprise information systems. Assist in the establishment of query and decision-making resource systems, etc.
Safety & Hygiene Div.	Responsible for environmental protection and labor safety and health
Engineering R&D Dept.	<ol style="list-style-type: none"> 1. Responsible for the research and development of new product design, production, and process 2. Responsible for the annual new car frame design and mold fixture design and production 3. Responsible for product specification development and research
Quality Assurance Dept.	Responsible for quality control of raw materials and finished products
Finance Dept.	Responsible for fund scheduling, accounting treatment and management information provision
Administration Dept.	<ol style="list-style-type: none"> 1. Responsible for HR planning, implementation, and operation of human resource policies 2. Responsible for property management and integration of the company's general affairs
Export Sales Dept.1 and 2	Responsible for overseas customer affairs and business information collection and analysis
Domestic Sales Dept.	Responsible for domestic marketing network issues and business information collection and analysis
Production Planning Dept	Responsible for raw material negotiation, purchasing, tracking and production scheduling control
Warehousing Dept.	Responsible for raw material and finished product management in warehouse area
Manufacture Affair Dept.	Responsible for the production of bicycle products and maintenance of production equipment

ii. Information of Directors, Independent Directors, President, Vice Presidents, Associate Managers, and Supervisors of Departments and Branches

(1) Information of Directors and Independent Directors:

April 25, 2022

Title (Note 1)	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date Elected (Assumed)	Term	Date First Elect (Note 3)	Shares Held when Elect		Current Number of Shares		Current Number of Shares Held by Spouse or Minor Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 4)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 nd Degree of Kinship			Remarks (Note 9)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
Chairman	Taiwan	Tseng Song-Zhu	Male 61~70	2021.8.4	3	1994.6.6	48,664,715	16.28%	48,664,715	16.28%	8,740,819	2.92%	0	0%	13 th MBA Program for Entrepreneur, National Chengchi University	1. President of the Company. 2. Concurrently taking roles at affiliates of the Company. See P. 131 for details.	Director	Tseng-Lu Min-Hua	Spouse	
																	VP	Tseng Shang-Yuan	Father-Son	
Director	Taiwan	Tseng Song-Ling	Male 51~60	2021.8.4	3	2000.6.24	5,692,934	1.90%	5,692,934	1.90%	0	0%	0	0%	MBA Program of Long Island University, New York, USA.	1. Chairman, Ding-Sheng Investment Co., Ltd. 2. Director, Cheng Shin Rubber Industry Co.	Director	Tseng Hui-Juan	Sister-Brother	
Director	Taiwan	Tseng-Lu Min-Hua	Female 61~70	2021.8.4	3	2012.6.28	8,477,819	2.84%	8,740,819	2.92%	48,664,715	16.28%	0	0%	Graduated from Department of Accounting and Statistics, Taibei High School	Chairman, Ding-Hung Investment Co., Ltd.	Chairman	Tseng Song-Zhu	Spouse	
																	VP	Tseng Shang-Yuan	Mother-Son	
Director (Note 5)	Taiwan	Luo Tsai-Jen	Male 61~70	2021.8.4	3	2021.8.4	10,754	0.00%	10,754	0.00%	5,412,000	1.81%	0	0%	Department of Marketing and Materials Management Newark College of Engineering	Chairman, Zhengxin Rubber (China) Limited	None	None	None	
Director	Taiwan	Ding-Sheng Investment Co., Ltd. Rep.: Tseng Hui-Juan	Female 61~70	2021.8.4	3	2012.6.28	7,314,925 997,767	2.45% 0.33%	7,314,925 997,767	2.45% 0.33%	1,218	0.00%	0	0%	Graduated from Accounting & Statistics Department of Holy Savior High School	Head of Finance Management Division of the Company	Director	Tseng Song-Ling	Sister-Brother	

Director	Taiwan	Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang	Male 61~70	2021.8.4	3	2012.6.28	390,022 366,240	0.13% 0.12%	390,022 366,240	0.13% 0.12%	0	0%	0	0%	Graduated from Institute MBA, Dayeh University	1.Vice President of Marketing Affairs Department and Spokesperson of the Company 2.Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	No ne
Director	Taiwan	Ding-Hung Investment Co., Ltd. Rep.: Yuan Qi-Bin	Male 61~70	2021.8.4	3	2012.6.28	390,022 140,184	0.13% 0.05%	390,022 140,184	0.13% 0.05%	151	0.00%	0	0%	Graduated from Institute MBA, Dayeh University	1.Vice President of Production Management Center of the Company 2.Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	No ne
Director	Taiwan	Ding-Hung Investment Co., Ltd. Rep.: Lai Ru-Ding	Male 51~60	2021.8.4	3	2018.6.26	390,022 133,763	0.13% 0.04%	390,022 133,763	0.13% 0.04%	0	0.00%	0	0%	Graduated from Institute MBA, Dayeh University	1.Vice President of Manufacturing Affairs Department of the Company 2.Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	No ne
Director (Note 6)	Taiwan	Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng	Male 51~60	2021.8.4	3	2021.8.4	390,022 108,789	0.13% 0.04%	390,022 108,789	0.13% 0.04%	0	0%	0	0%	Graduated from Power Div., Mechanical Engineering Dept. 2-Year Program, Nanya Institute of Technology	1.Vice President of Domestic Sales Department of the Company 2.Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	No ne
Independent Director	Taiwan	Chen Shui-Jin	Male 51~60	2021.8.4	3	2015.6.22	0	0.00%	0	0.00%	0	0%	0	0%	Master, Graduate School of Business Administration, National Chung Cheng University	Chief Accountant, Yuan-Sheng CPA Firm	None	None	No ne
Independent Director	Taiwan	Chen Jian-Nan	Male 61~70	2021.8.4	3	2015.6.22	0	0.00%	0	0.00%	0	0%	0	0%	Master of Design, UCLA, University of California, Los Angeles	Associate Professor, Department of Industrial Design, Chaoyang University of Technology	None	None	No ne

Independent Director (Note 7)	Taiwan	Tsai Wu-Ying	Male 61~70	2021.8.4	3	2003.6.26	1,564,450	0.52%	1,564,450	0.52%	25,539	0.01%	0	0%	Graduated from Department of Computer Science, Feng Chia University	Director and Vice President of the President's Office, Fu-Chian Tire Co., Ltd.	None	None	None	
Independent Director (Note 8)	Taiwan	Lei Shin-Jung	Female 41~50	2021.8.4	3	2021.8.4	0	0.00%	0	0.00%	0	0%	0	0%	Graduated from Department of Information Management 5-Year Program, Tatung Institute of Commerce	Supervisor of Engineering Department, E-Tech Ltd.	None	None	None	

Note 1: A corporate shareholder shall be listed respectively by Name of Corporate Shareholder and its Representative (Name of Corporate Shareholder shall be noted where the person is a representative to a corporate shareholder), with the following Table 1 entered.

Note 2: Please enter the actual age, which can be expressed by intervals e.g. 41~50 yo or 51~60 yo.

Note 3: Please indicate the date the person first assumed as a director or an independent director of the Company. Indicate the circumstances of interruption, if any.

Note 4: The title and responsible position of a certified public accountant firm or affiliate shall be specified if the experience related to the current position has been held during the previous disclosure period.

Note 5: Seniority of Director Luo Tsai-Jen as a director of the Company: from August 4, 2021.

Note 6: Seniority of Ding-Hung Investment Co., Ltd. Representative Tseng Ching-Cheng as a director: from August 4, 2021.

Note 7: Independent Director Tsai Wu-Ying was first elected (assumed) as a supervisor on June 26, 2003, and his seniority of as an independent director of the Company: from August 4, 2021.

Note 8: Seniority of Independent Director Lei Shin-Jung as an independent director of the Company: from August 4, 2021.

Note 9: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of the Company are the same person, in spousal relationship, or is a relative within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed:

The chairman of the Company also serves as the president at the same time is to improve the operating efficiency and execution of decision-making; however, in order to implement corporate governance, the Company has increased the number of independent directors' superior to the statutory board to enhance the functions of the Board of Directors and strengthen the supervision function.

Concrete measures currently adopted by the Company are as follows:

- (1) The current four independent directors have expertise in the fields of Financial Accounting, Product Design, Business Administration, and Information System, and can effectively play their supervisory functions.
- (2) The Company has arranged directors' participations in professional courses of external organizations such as Taiwan Corporate Governance Association to enhance the effectiveness of the Board of Directors.
- (3) Independent directors may fully discuss and make recommendations for the Board of Directors in various functional committees to implement corporate governance.
- (4). More than half of the directors of the Board of Directors do not concurrently serve as employees or managers.

(1) 1-1 Information of Directors and Independent Directors – Main Shareholder(s) of the Company’s Corporate Shareholders:

April 25, 2022

Name of Corporate Shareholder (Note 1)	Main Shareholder(s) of Corporate Shareholder (Note 2)	Shareholding Ratio
Ding-Hung Investment Co., Ltd.	Tseng-Lu Min-Hua	73.75%
	Tseng Song-Zhu	16.75%
Ding-Sheng Investment Co., Ltd.	Tseng Song-Ling	94.40%
	Changhua County Private Ai-Lian Social Welfare & Charity Foundation Representative: Chang, Yun-Yi	4.80%

Note 1: Where a director or an independent director is a corporate shareholder, Name of Corporate Shareholder shall be entered.

Note 2: Enter Name of Main Shareholder(s) of Corporate Shareholder (w/ Top-10 Shareholding) and their shareholding ratios. The following table 2 shall also be entered when the main shareholder is a corporate.

(1). 2 Disclosure on Professional Qualifications of Directors and Independence of Independent Directors:

Criteria Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Tseng Song-Zhu	<ol style="list-style-type: none"> 1. 13th Executives Program, MBA Program, National Chengchi University 2. Chairman and President of the Company 3. Chairman of Taiwan Bicycle Association 4. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company. 5. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0
Tseng Song-Ling	<ol style="list-style-type: none"> 1. MBA Program of Long Island University, New York, USA. 2. Chairman, Ding-Sheng Investment Co., Ltd. 3. Director, Cheng Shin Rubber Industry Co. 4. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company. 5. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 	Not Applicable	0
Tseng-Lu Min-Hua	<ol style="list-style-type: none"> 1. Chairman, Ding-Hung Investment Co., Ltd. 2. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company. 3. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0

Luo Tsai-Jen	<ol style="list-style-type: none"> 1. Department of Marketing and Materials Management Newark College of Engineering 2. Chairman, Cheng Shin/MAXXIS Group 3. Chairman, Zhengxin Rubber (China) Limited 4. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company. 5. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0
Ding-Sheng Investment Co., Ltd. Rep.: Tseng Hui-Juan	<ol style="list-style-type: none"> 1. Head of Finance Management Division of the Company. 2. Is equipped with work experience, professional know-how and skills related to finance/accounting as required in businesses of the Company. 3. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0
Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang	<ol style="list-style-type: none"> 1. Graduated from Institute MBA, Dayeh University. 2. Vice President of Marketing Affairs Department and Spokesperson of the Company. 3. Is equipped with work experience, professional know-how and skills related to marketing management as required in businesses of the Company. 4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0
Ding-Hung Investment Co., Ltd. Ding-Hung Investment Co., Ltd Rep.: Yuan Qi-Bin	<ol style="list-style-type: none"> 1. Graduated from Institute MBA, Dayeh University. 2. Vice President of Production Management Center of the Company 3. Is equipped with work experience, professional know-how and skills related to production management/logistics management as required in businesses of the Company. 4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0
Ding-Hung Investment Co., Ltd. Rep.: Lai Ru-Ding	<ol style="list-style-type: none"> 1. Graduated from Institute MBA, Dayeh University. 2. Vice President of Manufacturing Affairs Department of the Company. 3. Is equipped with work experience, professional know-how and skills related to industrial engineering/production management as required in businesses of the Company. 4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 		0

Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng	<p>1. Graduated from Power Div., Mechanical Engineering Dept. 2-Year Program, Nanya Institute of Technology.</p> <p>2. Vice President of Domestic Sales Department of the Company.</p> <p>3. Is equipped with work experience, professional know-how and skills related to production management/marketing management as required in businesses of the Company.</p> <p>4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act.</p>		0
Chen Shui-Jin	<p>1. Master, Graduate School of Business Administration, National Chung Cheng University</p> <p>2. Chief Accountant, Yuan-Sheng CPA Firm</p> <p>3. Has obtained certification as CPA and is equipped with work experience, professional know-how and skills related to finance and accounting as required in businesses of the Company.</p> <p>4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act.</p>	<p>All independent directors meet the following independence criteria:</p> <p>1. The independent director, including the independent director himself/herself, his/her spouse, or relatives within 2nd degree of kinship does not serve as director, supervisor or employee of the Company or its affiliates.</p> <p>2. For number of the Company's shares held by the independent director, together with those held by the director's spouse or minor children as well as their ratios, please refer to Page 15 "Information of Directors and Independent Directors". No director holds more than 1 percent of the Company's outstanding shares or is a top 10 shareholders.</p>	3
Chen Jian-Nan	<p>1. Master of Design, UCLA, University of California, Los Angeles.</p> <p>2. Associate Professor, Department of Industrial Design, Chaoyang University of Technology.</p> <p>3. Has qualification as an associate professor from related departments in universities and colleges and is equipped with work experience and skills related to product design and academic profession as required in businesses of the Company.</p> <p>4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act.</p>	<p>3. Does not serve as director, supervisor or employee at a company having specific relations with the Company.</p>	0
Tsai Wu-Ying	<p>1. Director and Vice President at President's Office, Fu-Chian Tire Co., Ltd.</p> <p>2. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company.</p> <p>3. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act.</p>	<p>4. Does not perform any service concerning commerce, law, finance, or accounting to the Company or its affiliates and does not receive any compensation incurred by such services from the Company or its affiliates.</p>	0

Lei Shin-Jung	1. Graduated from Department of Information Management 5-Year Program, Tatung Institute of Commerce 2. Supervisor of Engineering Department, E-Tech Ltd. 3. Is equipped with work experience, professional know-how and skills related to information system as required in businesses of the Company. 4. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act.		0
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Note 1: Professional Qualifications and Experience: specify Professional Qualifications and Experience of each director and independent director. Where the individual is a member of the audit committee and is with expertise in accounting or finance, his/her accounting or financial background and related working experiences as well as descriptions on the circumstances under Article 30 of the Company Act shall be specified.

Per Article 30 of the Company Act, a person who is under any of the following circumstances shall not act as a manager of a company. If he has been appointed as such, he shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2: Independent Directors shall be specified with the descriptions on compliance with Independence Criteria, which is composed of whether the independent director including the independent director himself/herself, his/her spouse, or relatives within 2nd degree of kinship serves as director, independent director or employee of the Company or its affiliates; number of the Company's shares held by the independent director, together with those held by the independent director's spouse or relatives within 2nd degree of kinship (or under the names of other parties) as well as their ratios; whether the independent director serves as director, independent director or employee of the Company or a company with specific relations to the Company (refer to Article 3, Paragraph 1, Subparagraphs 5~8 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); amount of compensation received for provision or services concerning commerce, law, finance, accounting, or others to the Company or its affiliates in the most recent two years.

(1). 3 Board of Directors Diversity and Independence:

The nomination system is adopted in the selection of Board of Directors members, and acceptance, public announcement and other matters for compliance with respect to candidate nomination shall be handled in accordance with the Company Act, Securities and Exchange Act, and other relevant laws and regulations. The nomination for members of the Company's directors are handled via a rigorous selection process in consideration of the director's diverse backgrounds, professional abilities and experiences as well as his/her ethics and conducts. Currently, 13 seats have been furnished in the Company's Board of Directors, of which contains 3 female directors. The diverse background of directors include work experiences, academic background and professional knowledge in various fields; among the 13 directors include a total of 4 independent directors, accounting for 31% of all directors.

For circumstances of spousal relationship or relationship within 2nd degree of kinship among directors, please refer to "Information of Directors and Independent Directors" on Page 15. 9 out of 13 directors and independent directors do not have spousal relationship or relationship within 2nd degree of kinship with other directors, indicating the sufficient independence of the Company's Board of Directors.

Fulfillment of Member Diversity among the Board of Directors is as follows:

Core Diversity		Basic Composition					Industrial Experience and Professional Capabilities							
Items Director Title/Name														
Title	Name	Nationality	Gender	Age	Professional Background	Concurrently Serve as an Employee of the Company	Ability to make Judgments about Operations	Accounting and Financial Analysis Ability	Business Management Ability	Crisis Management Ability	Knowledge of the Industry	International Market Perspective	Leadership Ability	Decision-Making Ability
Chairman	Tseng Song-Zhu	Taiwan	Male	61~70	Business Administration	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Tseng Song-Ling	Taiwan	Male	51~60	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Director	Tseng-Lu Min-Hua	Taiwan	Female	61~70	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Director	Luo Tsai-Jen	Taiwan	Male	61~70	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Director	Ding-Sheng Investment Co., Ltd. Rep.: Tseng Hui-Juan	Taiwan	Female	61~70	Finance/Accounting	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang	Taiwan	Male	61~70	Marketing Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Ding-Hung Investment Co., Ltd. Rep.: Yuan Qi-Bin	Taiwan	Male	61~70	Production Management/ Logistics Management	✓	✓		✓	✓	✓	✓	✓	✓
Director	Ding-Hung Investment Co., Ltd. Rep.: Lai Ru-Ding	Taiwan	Male	51~60	Industrial Engineering/ Production Management	✓	✓		✓	✓	✓	✓	✓	✓
Director	Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng	Taiwan	Male	51~60	Production Management/ Marketing Management	✓	✓		✓	✓	✓	✓	✓	✓
Independent Director	Chen Shui-Jin	Taiwan	Male	51~60	Finance/Accounting		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Chen Jian-Nan	Taiwan	Male	61~70	Product Design/ Academic Profession		✓		✓	✓	✓	✓	✓	✓
Independent Director	Tsai Wu-Ying	Taiwan	Male	61~70	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Lei Shin-Jung	Taiwan	Female	41~50	Information System		✓		✓	✓	✓	✓	✓	✓

(2) Information of Directors, Independent Directors, President, Vice Presidents, Associate Managers, and Supervisors of Departments and Branches:

April 25, 2022

Title (Note 1)	Nationality	Name	Date Elected (Assumed)	Gender	Shares Held		Number of Shares Held by Spouse or Minor Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 2)	Roles Concurrently Taken in Other Companies	Manager(s) having Spousal Relationship or Relationship within 2 nd Degree of Kinship			Remarks (Note 3)
					Shares	Shareholding Ratio	Shares	Sharehold- ing Ratio	Shares	Sharehold- ing Ratio			Title	Name	Relation	
President	Taiwan	Tseng Song- Zhu	1994.09.01	Male	48,664,715	16.28%	8,740,819	2.92%	0	0%	MBA Program, National Chengchi University 13th Executives Program,	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	VP	Tseng Shang- Yuan	Father- -Son	
Vice President	Taiwan	Zheng Wen- Xiang	1998.05.01	Male	366,240	0.12%	0	0%	0	0%	Graduated from Institute MBA, Dayeh University	1. Spokesperson of the Company. 2. Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	
Vice President	Taiwan	Yuan Qi-Bin	2004.01.01	Male	140,184	0.05%	151	0.00%	0	0%	Graduated from Institute MBA, Dayeh University	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	
Vice President	Taiwan	Lai Ru- Ding	2007.09.01	Male	133,763	0.04%	0	0%	0	0%	Graduated from Institute MBA, Dayeh University	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	
Vice President	Taiwan	Tseng Ching- Cheng	2012.05.01	Male	108,789	0.04%	0	0%	0	0%	Graduated from Power Div., Mechanical Engineering Dept. 2-Year Program, Nanya Institute of Technology	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	

Vice President	Taiwan	Tseng Shang-Yuan	2020.06.01	Male	7,606,000	2.54%	600,000	0.20%	0	0%	Master of Marketing Management, University of La Verne (California, US)	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	President	Tseng Song-Zhu	Father-Son	
Associate Manager	Taiwan	Li Bo-Lin	2002.06.01	Male	23,938	0.01%	0	0%	0	0%	Graduated from Department of Industrial Design, National Cheng Kung University	None	None	None	None	
Associate Manager	Taiwan	Lai Tong-Sha	2010.05.01	Male	3,042	0%	1,207	0.00%	0	0%	Graduated from Department of Mechanical Engineering, National Pingtung Institution of Technology	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	
Associate Manager	Taiwan	Chang Zheng-Yong	2010.05.01	Male	20,075	0.01%	0	0%	0	0%	Graduated from Department of English, National Chengchi University	None	None	None	None	
Associate Manager	Taiwan	Wu Yu-Fan	2010.05.01	Male	1,000	0%	415	0.00%	0	0%	Graduated from Department of Industrial Design, Da Yeh University	None	None	None	None	
Associate Manager	Taiwan	Wu Min-Fang	2012.09.01	Male	3,788	0%	0	0%	0	0%	Graduated from Department of Mechanics, Lunghwa Institution of Technology	None	None	None	None	
Associate Manager	Taiwan	Chang Wen-Jie	2014.10.01	Male	11,000	0%	45	0.00%	0	0%	Graduated from Department of Industrial Management, National Cheng Kung University	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	

Associate Manager	Taiwan	Tang Jia-Hung	2016.08.16	Male	2,000	0%	0	0%	0	0%	Graduated from Department of Electrical Engineering, Shu-Te Institution of Technology	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	
Associate Manager	Taiwan	Tsai Wei-Sheng	2018.10.01	Male	2,100	0%	0	0%	0	0%	Graduated from Department of Industrial Engineering, Da Yeh University	Concurrently taking roles at affiliates of the Company. See P. 131 for details.	None	None	None	
Associate Manager (Note 4)	Taiwan	Liu Ming-Gen	2021.09.01	Male	1,000	0%	105	0%	0	0%	Graduated from Department of Public Finance, Feng Chia University	1. Assumed as new Accounting Manager on April 1, 2021. 2. Assumed as new Governance Manager on June 29, 2021. 3. Assumed as new Finance Manager on August, 27, 2021.	None	None	None	

Note 1: The information herein shall encompass the disclosure of President, Vice President, Associate Manager, and Supervisors of Departments and Branches, as well as the roles at the level equivalent to President, Vice President or Associate Manager, regardless of the role.

Note 2: The title and responsible position of a certified public accountant firm or affiliate shall be specified if the experience related to the current position has been held during the previous disclosure period.

Note 3: Where the President or person of an equivalent post (the highest-level manager) of the Company concurrently serves as the Chairman, in spousal relationship, or is a relative within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed:

The chairman of the Company also serves as the president at the same time is to improve the operating efficiency and execution of decision-making; however, in order to implement corporate governance, the Company has increased the number of independent directors' superior to the statutory board to enhance the functions of the Board of Directors and strengthen the supervision function.

Concrete measures currently adopted by the Company are as follows:

(1) The current four independent directors have expertise in the fields of Financial Accounting, Product Design, Business Administration, and Information System, and can effectively play their supervisory functions.

(2) The Company has arranged directors' participations in professional courses of external organizations such as Taiwan Corporate Governance Association to enhance the effectiveness of the Board of Directors.

(3) Independent directors may fully discuss and make recommendations for the Board of Directors in various functional committees to implement corporate governance.

(4) More than half of the directors of the Board of Directors do not concurrently serve as employees or managers.

Note 4: Associate Manager Liu Ming-Gen assumed office as the new Associate Manager on September 1, 2021.

(3) Compensations Paid to General Directors, Independent Directors, President and Vice Presidents, etc. in the Most Recent Year:

1. Compensations to General Directors and Independent Directors:

Unit: NTD Thousands

Title	Name	Directors' Compensations								Proportion of the Sum of A to D on Profit after Tax (Note 10)		Compensations Received by Concurrent Employees								Proportion of the Sum of A to G on Profit after Tax (Note 10)		Receipt of Compensation from Re-invested Businesses out of Subsidiaries or the Parent Company (Note 11)
		Reward (A) (Note 2)		Pension(B)		Directors' Remuneration (C)(Note 3)		Expenses of Professional Practice(D)(Note 4)				Salary, Bonus, and Special Allowances (E) (Note 5)		Pension(F)		Employees' Remuneration(G) (Note 6)						
		The Company	All Companies in Financial Report (Note 2)	The Company	All Companies in Financial Report (Note 2)	The Company	All Companies in Financial Report (Note 7)	The Company	All Companies in Financial Report (Note 7)	The Company	All Companies in Financial Report (Note 7)	The Company	All Companies in Financial Report (Note 7)	The Company		All Companies in Financial Report (Note 7)		本公司	All Companies in Financial Report (Note 7)			
Director	Tseng Song-Zhu	0	0	0	0	45,700	45,700	1,321	1,321	1.01%	1.01%	2,846	2,846	0	0	6,108	0	6,108	0	1.20%	1.20%	None
Director	Ding-Hung Investment Co., Ltd.	0	0	0	0	60,935	60,935	0	0	1.31%	1.31%	0	0	0	0	0	0	0	0	1.31%	1.31%	None
Director	Tseng Song-Ling	0	0	0	0	60,935	60,935	635	635	1.32%	1.32%	11,370	11,370	6,463	6,463	23,554	0	23,554	0	2.21%	2.21%	None
Director	Tseng-Lu Min-Hua																					
Director	Chiu Li-Qing (Note 12)																					
Director	Luo Tsai-Jen (Note 12)																					

Director	Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang Yuan Qi-Bin Lai Ru-Ding Tsai Xua-Liang(No te 13) Tseng Ching-Cheng(Note 13)																					
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Table of Remuneration Brackets

Brackets of Remuneration Received by Directors of the Company	Name of Director			
	Sum of the First Four Remuneration Items (A+B+C+D)		Sum of First Seven Remuneration Items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in Financial Report (I) (Note 9)	The Company (Note 8)	All Companies in Financial Report (J) (Note 9)
Lower than NTD 1,000,000	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Li Zong-Ying (Ind. Director), Chuang Wen-Jing (Ind. Director), Tsai Wu-Ying (Ind. Director), Lei Shin-Jung (Ind. Director)	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Li Zong-Ying (Ind. Director), Chuang Wen-Jing (Ind. Director), Tsai Wu-Ying (Ind. Director), Lei Shin-Jung (Ind. Director)	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Li Zong-Ying (Ind. Director), Chuang Wen-Jing (Ind. Director), Tsai Wu-Ying (Ind. Director), Lei Shin-Jung (Ind. Director)	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Li Zong-Ying (Ind. Director), Chuang Wen-Jing (Ind. Director), Tsai Wu-Ying (Ind. Director), Lei Shin-Jung (Ind. Director)
NTD 1,000,000 (incl.) ~ NTD 2,000,000				
NTD 2,000,000 (incl.) ~ NTD 3,500,000				
NTD 3,500,000 (incl.) ~ NTD 5,000,000			Tseng Hui-Juan	Tseng Hui-Juan
NTD 5,000,000 (incl.) ~ NTD 10,000,000	Luo Tsai-Jen, Chiu Li-Qing	Luo Tsai-Jen, Chiu Li-Qing	Zheng Wen-Xiang, Tsai Xua-Liang, Yuan Qi-Bin, Lai Ru-Ding, Tseng Ching-Cheng, Luo Tsai-Jen, Chiu Li-Qing	Zheng Wen-Xiang, Tsai Xua-Liang, Yuan Qi-Bin, Lai Ru-Ding, Tseng Ching-Cheng, Luo Tsai-Jen, Chiu Li-Qing
NTD 10,000,000 (incl.) ~ NTD 15,000,000				
NTD 15,000,000 (incl.) ~ NTD 30,000,000	Tseng Song-Ling, Tseng-Lu Min-Hua, Ding-Sheng Investment Co., Ltd.	Tseng Song-Ling, Tseng-Lu Min-Hua, Ding-Sheng Investment Co., Ltd.	Tseng Song-Ling, Tseng-Lu Min-Hua, Ding-Sheng Investment Co., Ltd.	Tseng Song-Ling, Tseng-Lu Min-Hua, Ding-Sheng Investment Co., Ltd.
NTD 30,000,000 (incl.) ~ NTD 50,000,000	Tseng Song-Zhu	Tseng Song-Zhu		
NTD 50,000,000 (incl.) ~ NTD 100,000,000	Ding-Hung Investment Co., Ltd.	Ding-Hung Investment Co., Ltd.	Tseng Song-Zhu Ding-Hung Investment Co., Ltd.	Tseng Song-Zhu Ding-Hung Investment Co., Ltd.
NTD 100,000,000 and over				
Total	13	13	19	19

Note 1: The names of directors should be listed separately (A corporate shareholder shall be listed respectively by Name of Corporate Shareholder and its Representative) and the amounts paid should be disclosed in summaries. If a director is concurrently the President or a Vice President, this table and the following table 2. shall be entered additionally.

Note 2: Refers to compensations (incl. Directors' Salary, Special Disbursement for Role, Severance Pay, Various Bonuses, Incentive, etc.) received by a director in the most recent year.

Note 3: Refers to the directors' remuneration distributed by the Board of Directors in the most recent year.

Note 4: Refers to expenses of professional practice (incl. Transportation Allowance, Special Allowance, Various Allowances, Dormitory, Company Car or Provisions of Other Physical Items) received by a director in the most recent year.

In the case of the provision of housing, motor vehicles and other means of transport or for personal expenses, the nature and cost of the assets, rent, fuel and other payments actually or at fair market prices provided shall be disclosed. In addition, if a driver has been assigned, please note the relevant compensation paid to the driver by the Company, which shall not be counted toward the remunerations.

*The Company assigns one Company Car for Chairman at the annual rent of NTD 1,241 Thousand.

Note 5: Refers to items including Salary, Special Disbursement for Role, Severance Pay, Various Bonuses, Incentive, Transportation Allowance, Special Allowance, Various Allowances, Dormitory, Company Car or Provisions of Other Physical Items claimed by a director who concurrently serves as an employee (including concurrent roles of President, Vice President, other manager and employee) in the most recent year. In the case of the provision of housing, motor vehicles and other means of transport or for personal expenses, the nature and cost of the assets, rent, fuel and other payments actually or at fair market prices provided shall be disclosed. In addition, if a driver has been assigned, please note the relevant compensation paid to the driver by the Company, which shall

not be counted toward the remunerations. In addition, salary expenses recognized under IFRS 2 “Share-based Payment” including acquisition of Employee Share Subscription Warrants, Restricted Stock Awards, and participation in shares subscriptions for cash capital increase shall be counted toward remunerations.

Note 6: Where a director concurrently serves as an employee (including President, Vice President, other manager and employee) and receives employee remuneration (including stock and cash) in the most recent year, the amount of employee remuneration distributed by the Board of Directors in the most recent year shall be disclosed; where the amount cannot be estimated, the proposed amount of distribution this year shall be calculated according to the proportion of the actual amount of distribution last year, and the part 3 of Appendix 1 shall be entered.

Note 7: The total amount of various remunerations paid to directors of the Company (including the Company) in the consolidated report shall be disclosed.

Note 8: The total amount of remuneration paid by the Company to each director shall be disclosed by the name of each director in the appropriate bracket.

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

Note 10: After-tax net profit refers to the after-tax net profit as indicated in the Company’s standalone or independent financial report for the most recent year.

Note 11: a. This column shall clearly indicate the amount of remuneration received by a director of the Company in connection with the reinvestment business outside the subsidiaries or parent company (if none, please enter “None”)

b. Where any director receives remuneration related to investments in a business other than a subsidiary or parent company, the remuneration received by the director the Company for investment in a business other than a subsidiary or parent company shall be incorporated into column 1 of the Table of Remuneration Brackets and the column name shall be changed to “Parent Company and All Re-investment Businesses”.

c. Remuneration refers to the remuneration and compensations (including remuneration of employees, directors and supervisors) and expenses of professional practice paid to a director of the Company by serving as a director, independent director or manager of the reinvestment undertakings other than the subsidiaries of the Company or the parent company.

***The content of remunerations disclosed in this table is prepared under the concept in discrepancy from that of Income Tax Act; therefore, this table serves as information disclosure and may not be adopted as reference of taxation.**

2. Compensations to the President and Vice Presidents: (in Summary with Disclosure of Names by Respective Brackets)

Unit: NTD Thousands

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonus and Special Allowance (C) (Note 3)		Employees' Remuneration Amount (D) (Note 4)				Ratio of Sum of Items A to D to Profit after Tax (%) (Note 8)		Remuneration Received from Reinvestment Business out of subsidiaries or from the Parent Company (Note 9)
		The Company	All Companies in Financial Report (Note 5)	The Company	All Companies in Financial Report (Note 5)	The Company	All Companies in Financial Report (Note 5)	The Company		All Companies in Financial Report (Note 5)		The Company	All Companies in Financial Report (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Tseng Song-Zhu	17,530	17,530	13,619	13,619	0	0	39,246	0	39,246	0	1.51%	1.51%	無
Vice President	Tseng Shang-Yuan													
Vice President	Zheng Wen-Xiang													
Vice President	Yuan Qi-Bin													
Vice President	Lai Ru-Ding													
Vice President	Tseng Ching-Cheng													

Vice President (Note 10)	Tsai Xua-Liang													
Vice President (Note 11)	Chen Cheng-Bin													

Note 10: Vice President Tsai Xua-Liang announced his retirement on August 27, 2021.

Note 11: Vice President Chen Cheng-Bin announced his retirement on October 14, 2021.

*Roles in equivalent level of President or Vice President [e.g. General Manager, CEO, Director (Officer) etc.] shall be disclosed, regardless of title.

Table of Remuneration Brackets

Brackets of Remuneration Received by the President Vice Presidents of the Company	Names of President and Vice Presidents	
	The Company (Note 6)	All Companies in Financial Report (Note 7) (E)
Lower than NTD 1,000,000		
NTD 1,000,000 (incl.) ~ NTD 2,000,000		
NTD 2,000,000 (incl.) ~ NTD 3,500,000		
NTD 3,500,000 (incl.) ~ NTD 5,000,000		
NTD 5,000,000 (incl.) ~ NTD 10,000,000	Tseng Song-Zhu, Chen Cheng-Bin, Yuan Qi-Bin, Tseng Ching-Cheng, Zheng Wen-Xiang, Lai Ru-Ding, Tsai Xua-Liang, Tseng Shang-Yuan	Tseng Song-Zhu, Chen Cheng-Bin, Yuan Qi-Bin, Tseng Ching-Cheng, Zheng Wen-Xiang, Lai Ru-Ding, Tsai Xua-Liang, Tseng Shang-Yuan
NTD 10,000,000 (incl.) ~ NTD 15,000,000		
NTD 15,000,000 (incl.) ~ NTD 30,000,000		
NTD 30,000,000 (incl.) ~ NTD 50,000,000		
NTD 50,000,000 (incl.) ~ NTD 100,000,000		
NTD 100,000,000 and over		
Total	8	8

Note 1: The names of the president and vice presidents should be listed separately (A corporate shareholder shall be listed respectively by Name of Corporate Shareholder and its Representative) and the amounts paid should be disclosed in summaries. If a director is concurrently the president or a vice president, this table and the above table 1. shall be entered additionally.

Note 2: Salary, Special Disbursement for Role, and Severance Pay received by the president and vice presidents in the most recent year.

Note 3: Enter the provision of Various Bonuses, Incentive, Transportation Allowance, Special Allowance, Various Allowances, Dormitory, Company Car and other physical items as well as the amount of other compensations received by the president and vice presidents in the most recent year. In the case of the provision of housing, motor vehicles and other means of transport or for personal expenses, the nature and cost of the assets, rent, fuel and other payments actually or at fair market prices provided shall be disclosed. In addition, if a driver has been assigned, please note the relevant compensation paid to the driver by the Company, which shall not be counted toward the remunerations. In addition, salary expenses recognized under IFRS 2 “Share-based Payment” including acquisition of Employee Share Subscription Warrants, Restricted Stock Awards, and participation in shares subscriptions for cash capital increase shall be counted toward remunerations.

Note 4: Enter the amount of employees’ remuneration (including stock and cash) approved by the Board of Directors to be distributed to the president and vice presidents in the most recent year. If the amount cannot be estimated, the proposed amount of this year will be calculated in proportion to the actual amount of distribution in the current year, and appended table 1-3 shall be entered otherwise. After-tax net profit refers to the after-tax net profit in the most recent year; where IFRS has been adopted, after-tax profit refers to the after-tax net profit as indicated in the Company’s standalone or independent financial report for the most recent year.

Note 5: The total amount of various remunerations paid to the president and vice presidents of the Company (including the Company) in the consolidated report shall be disclosed.

Note 6: The total amount of remuneration paid by the Company to the president and vice presidents shall be disclosed by the names of the president and vice presidents in the appropriate bracket.

Note 7: The total amount of remuneration paid to the president and vice presidents of the Company by all companies (including the Company) in the consolidated report shall be disclosed, and the names of the president and vice presidents shall be disclosed in the appropriate bracket.

Note 8: After-tax net profit refers to the after-tax net profit in the most recent year; where IFRS has been adopted, after-tax profit refers to the after-tax net profit as indicated in the Company’s standalone or independent financial report for the most recent year.

Note 9: a. This column shall clearly indicate the amount of remuneration received by the president or vice presidents of the Company in connection with the reinvestment business outside the

- subsidiaries or parent company (if none, please enter “None”)
- b. Where the president or a vice president receives remuneration related to investments in a business other than a subsidiary or parent company, the remuneration received by the president or a vice president the Company for investment in a business other than a subsidiary or parent company shall be incorporated into column E of the Table of Remuneration Brackets and the column name shall be changed to “Parent Company and All Re-investment Businesses”.
- c. Remuneration refers to the remuneration and compensations (including remuneration of employees, directors and supervisors) and expenses of professional practice paid to the president or a vice president of the Company by serving as a director, independent director or manager of the reinvestment undertakings other than the subsidiaries of the Company or the parent company.

***The content of remunerations disclosed in this table is prepared under the concept in discrepancy from that of Income Tax Act; therefore, this table serves as information disclosure and may not be adopted as reference of taxation.**

3. Names of Managers Engaged in Distribution of Employees’ Remuneration and Distribution Status:

December 31, 2021
Unit: NTD Thousands

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Total Amount to Profit after Tax (%)
Managers	President	Tseng Song-Zhu	0	81,781	81,781	1.76 %
	Vice President	Tseng Shang-Yuan				
	Vice President	Zheng Wen-Xiang				
	Vice President	Yuan Qi-Bin				
	Vice President	Lai Ru-Ding				
	Vice President	Tseng Ching-Cheng				
	Vice President (Note 5)	Tsai Xua-Liang				
	Vice President (Note 6)	Chen Cheng-Bin				
	Associate Manager	Wang Lung-Jin				
	Associate Manager	Li Bo-Lin				
	Associate Manager	Lai Tong-Sha				
	Associate Manager	Chang Zheng-Yong				

Associate Manager	Wu Yu-Fan				
Associate Manager	Wu Min-Fang				
Associate Manager	Chang Wen-Jie				
Associate Manager	Tang Jia-Hung				
Associate Manager	Tsai Wei-Sheng				
Associate Manager (Note 7)	Liu Ming-Gen				

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

Note 2: Refers to the amount of employee compensation (incl. stock and cash) approved by the Board of Directors to be distributed to managers in the most recent year. If the amount cannot be estimated, the proposed amount of this year will be calculated in proportion to the actual amount of distribution in the current year. After-tax net profit means the after-tax net profit of the most recent year; where IFRS has been applied, after-tax profit refers to the after-tax profit indicated in the most recent annual standalone or independent financial report.

Note 3: Per 27 March 2003 Order Taiwan-Financial-Securities-III-Zi No. 0920001301 by the FSC, the scope of application for managers is as follows:

- (1) President and the role at equivalent level
- (2) Vice President and the role at equivalent level
- (3) Associate Manager and the role at equivalent level
- (4) Supervisor at Finance
- (5) Supervisor at Accounting
- (6) Other persons with rights to manage affairs for the Company or affix signing

Note 4: Under the circumstances which the director, president or vice president of the Company receives employees' compensation (incl. stock and cash), this form shall be entered in addition to part 2 of Appendix 1.

Note 5: Vice President Tsai Xua-Liang announced his retirement on August 27, 2021.

Note 6: Vice President Chen Cheng-Bin announced his retirement on October 14, 2021.

Note 7: Associate Manager Liu Ming-Gen assumed office as the new Associate Manager on September 1, 2021.

(4) Comparison of Compensation for Directors, Independent directors, President and Senior Vice Presidents in the Most Recent Two Fiscal Years and compensation Policy for Directors, Independent directors, President and Senior Vice Presidents

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

	2021	2020	Explanation
The Company	5.05%	5.37%	The compensation paid by all the companies in the consolidated statement to the Company will not be distributed to the representative of legal person.
All the companies in the consolidated statement	5.05%	5.37%	

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

- 1) Compensation for directors of the Company shall be paid in accordance with article 32 and article 34 of the Articles of Incorporation and shall be approved by the Compensation Committee.
- 2) The compensation of the President and Senior Vice-Presidents of the Company shall be paid in accordance with the Company's salary management regulations, relevant rules and regulations, and in accordance with the standards of the industry, and shall be subject to the approval of the Compensation Committee to ensure the competitiveness of the remuneration so as to achieve the purpose of motivation and talent retention.

iii. Implementation of Corporate Governance

(1) Operation of Board of Directors:

1. The term of the Company's previous Board of Directors is expired on August 4, 2021 and a by-election was conducted on the same date.
2. The Board of Directors have convened 8 (A) meetings in the most recent year, with the attendance by directors as follows:

Title	Name (Note 1)	Actual Attendance (B)	Frequency of Proxy Attendance	Actual Attendance Rate (%) [B/A] (Note 2)	Remarks
Chairman	Tseng Song-Zhu	8	-	100%	Re-elected
Director	Tseng Song-Ling	8	-	100%	Re-elected
Director	Tseng-Lu Min-Hua	8	-	100%	Re-elected
Director	Chiu Li-Qin	4	-	100%	Incumbent (Note 3)
Director	Luo Tsai-Jen	4	-	100%	New (Note 4)
Director	Ding-Sheng Investment Co., Ltd. Rep.: Tseng Hui-Juan	8	-	100%	Re-elected
Director	Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang	8	-	100%	Re-elected
Director	Ding-Hung Investment Co., Ltd. Rep.: Yuan Qi-Bin	7	-	88%	Re-elected
Director	Ding-Hung Investment Co., Ltd. Rep.: Lai Ru-Ding	8	-	100%	Re-elected
Director	Ding-Hung Investment Co., Ltd. Rep.: Tsai Xua-Liang	4	-	100%	Incumbent (Note 3)
Director	Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng	4	-	100%	New (Note 4)
Ind. Director	Chen Shui-Jin	8	-	100%	Re-elected
Ind. Director	Chen Jian-Nan	7	1	88%	Re-elected
Ind. Director	Li Zong-Ying	4	-	100%	Incumbent (Note 3)
Ind. Director	Chuang Wen-Jing	4	-	100%	Incumbent (Note 3)

Ind. Director	Tsai Wu-Ying	4	-	100%	New (Note 4)
Ind. Director	Lei Shin-Jung	4	-	100%	New (Note 4)

Other Matters for Recordation:

1. If the operation of the board of directors is in any of the following circumstances, the date, duration, proposal contents, the opinions of all independent directors and the Company's handling of the opinions of independent directors shall be specified:
 - (1) Items specified in Article 14-3 of Securities Exchange Act. (Please refer to Page 70 to 77).
 - (2) Other matters decided by the Board of Directors upon objection or reservation of independent directors and recorded or written statement other than foregoing matters: None.
2. Concerning implementation of recusals from proposals which a director is a stakeholder, Name of Directors, Proposal Contents, Reason for Required Recusal and Participation in Voting shall be specified:

Date of Meeting	Name of Director	Proposal Contents	Reason for Required Recusal	Participation in Voting
2021.08.04	Chen Shui-Jin Chen Jian-Nan	Proposal of Delegation of the Company's 5 th Salary and Remuneration Committee Members	Two Independent directors have recused themselves from discussion and voting of proposal due to their stake in the proposal.	Per Article 15 "Rules of Procedure for Board of Directors' Meetings" concerning avoidance of interest, the stakeholder shall not engage in discussion and voting.
2021.08.04	Chen Shui-Jin Chen Jian-Nan	Proposal of Compensation Payment to the Salary and Remuneration Committee Members of the Company	Two Independent directors have recused themselves from discussion and voting of proposal due to their stake in the proposal.	Per Article 15 "Rules of Procedure for Board of Directors' Meetings" concerning avoidance of interest, the stakeholder shall not engage in discussion and voting.
2021.08.04	Chen Shui-Jin Chen Jian-Nan Tsai Wu-Ying	Proposal of Compensation Payment to Independent Directors of the Company	Four Independent directors have recused themselves from discussion and voting of proposal due to their stake	Per Article 15 "Rules of Procedure for Board of Directors' Meetings" concerning avoidance of

	Lei Shin-Jung		in the proposal.	interest, the stakeholder shall not engage in discussion and voting.
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3. An TWSE/TPEX-listed company shall disclose information about the self-assessment (or peer review) of the Board of Directors, including the cycle, period, scope, method, and content of the evaluation (Note 5), and enter the Implementation of the Board's Evaluation in appended table (2).

4. The objectives of strengthening the functions of the Board of Directors in the current and the most recent year (e.g. appointing an Audit Committee, enhancing transparency of information, etc.) and evaluation of implementation:

(1) The Company has promulgated its “Regulations Governing Appraisal of Board of Directors Performances” and has performed performance appraisal according to applicable rules and regulations.

(2) The Company has appointed its independent director and has established an audit committee.

(3) Conducted in accordance with provisions under “Rules of Procedure for Board of Directors’ Meetings” and “Audit Committee Charter”.

Note 1: Where a director or an independent director is a corporate shareholder Name of Corporate Shareholder and Name of Representative shall be disclosed.

Note 2: (1) If a director or an independent director has resigned before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Board of Directors throughout his/her term and his/her actual attendance.

(2) If there is a by-election of directors or independent directors, the new or incumbent directors and independent directors shall be listed, and the status the directors and independent directors being incumbent, new, or the date the director or independent director has been re-elected and the date of by-election shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Board of Directors throughout his/her term and his/her actual attendance.

Note 3: Directors Chiu Li-Qing and Ding-Hung Investment Co., Ltd. Representative Tsai Xua-Liang and independent directors Li Zong-Ying and Chuang Wen-Jing: discharged on August 4, 2021.

Note 4: Directors Luo Tsai-Jen and Ding-Hung Investment Co., Ltd. Representative Tseng Ching-Cheng and independent directors Tsai Wu-Ying and Lei Shin-Jung: assumed office on August 4, 2021.

Note 5: Evaluation cycle, period, scope, method, and content of the self-assessment (or peer review) of the Board of Directors of the Company:

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

(2) Implementation of the evaluation of Board of Directors:

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Evaluation Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Content (Note 5)
Once a year	2021.1.1-2021.12.31	Board of Directors Performance Evaluation	Board of Directors Self-Evaluation	<p>1. Involvement in the operation of the company</p> <p>2. Improvement of the quality of board decisions</p> <p>3. Composition and structure of the board of directors</p> <p>4. Selection and Continuing Education of Directors</p> <p>5. Internal control</p>
Once a year	2021.1.1-2021.12.31	Board Members Performance Evaluation	Board Members Self-Evaluation	<p>1. Understanding of the company's objectives and tasks</p> <p>2. Awareness of Board members' responsibilities</p> <p>3. Involvement in the company's operation</p> <p>4. Internal relationship management and communication</p>

				<p>5. Professionalism and continuing education of board members</p> <p>6. Internal control</p>
Once a year	2021.1.1-2021.12.31	<p>Audit Committee</p> <p>Performance Evaluation</p>	<p>Audit Committee</p> <p>Self-Evaluation</p>	<p>1. Involvement in the operation of the company</p> <p>2. Understanding of the Audit Committee's scope of work.</p> <p>3. Improvement of the quality of committee decisions</p> <p>4. Selection and Continuing Education of committee members</p> <p>5. Internal control</p>
Once a year	2021.1.1-2021.12.31	<p>Compensation Committee</p> <p>Performance Evaluation</p>	<p>Compensation Committee</p> <p>Self-Evaluation</p>	<p>1. Involvement in the operation of the company</p> <p>2. Understanding of the Compensation Committee's scope of work.</p> <p>3. Improvement of the quality of committee decisions</p> <p>4. Selection and Continuing Education of committee members</p> <p>5. Internal control</p>

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

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

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

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

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

- (1) Board performance evaluation: At least includes level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued development, and internal controls.
- (2) Individual director performance evaluation: At least includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.
- (3) Functional committee performance evaluation: Participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

(3) Operation of the Audit Committee:

1. The term of the Company's previous Audit Committee is expired on August 4, 2021 and a by-election was conducted on the same date.
2. The Audit Committee have convened 6 (A) meetings in the most recent year, with the attendance by independent directors as follows:

Title	Name	Actual Attendances (B)	Frequency of Proxy Attendance	Actual Attendance Rate (%) [B/A] (Notes 1 & 2)	Remarks
Ind. Director	Chen Shui-Jin	6	-	100%	Re-elected
Ind. Director	Chen Jian-Nan	5	1	83%	Re-elected
Ind. Director	Li Zong-Ying	3	-	100%	Incumbent (Note 3)
Ind. Director	Chuang Wen-Jing	3	-	100%	Incumbent (Note 3)
Ind. Director	Tsai Wu-Ying	3	-	100%	New (Note 4)
Ind. Director	Lei Shin-Jung	3	-	100%	New (Note 4)

Other Matters for Recordation:

1. Where there is any of the following circumstances in the operation of the audit committee, Date of Audit Committee Meeting, Period, Proposal Contents、Independent Director Objections, Reservations or Material Suggestions, Resolutions by the Audit Committee and Handling of Audit Committee Opinions by the Company shall be specified.

(1) Matters as prescribed in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee Meeting	Proposal Contents	Resolutions by the Audit Committee	Handling of Audit Committee Opinions by the Company
2021.03.25	<ol style="list-style-type: none"> 1. To review the Company's 2020 Business Report. 2. To review the Company's 2020 Standalone and Consolidated Financial Reports. 3. To review the Company's 2020 Earnings Distribution. 4. To review the Company's 2020 "Internal Control System Statement". 5. To review Loaning of Funds by the Company and its Subsidiaries. 6. To review the Company's CPA Independence and Suitability Evaluation. 7. To review the Company's CPA Professional Charge in 2021. 8. To review the Changes in the Company's Accounting Manager. 9. To review the loans of MERIDA Bicycle (CHINA) Co., Ltd. under commission to MERIDA Bicycle (Jiangsu) Co., Ltd. 	Adopted by all attending members (Independent Director Objections or Reservations: None)	Adopted by all attending directors in the Board meeting on 2021.03.25.
2021.05.11	<ol style="list-style-type: none"> 1. To review Loaning of Funds by the Company and its Subsidiaries. 2. To review acquisition of assets by the Company's subsidiary Merida & Centurion Germany GmbH. 	Adopted by all attending members (Independent Director Objections or Reservations: None)	Adopted by all attending directors in the Board meeting on 2021.05.11.
2021.06.29	<ol style="list-style-type: none"> 1. To review Loaning of Funds by the Company and its Subsidiaries. 2. To review the Increase in Ceilings of Endorsement and Guarantees by the Company to subsidy Merida Bike Ltd. 	Adopted by all attending members (Independent Director Objections or Reservations: None)	Adopted by all attending directors in the Board meeting on 2021.06.29.

Date of Audit Committee Meeting	Proposal Contents	Resolutions by the Audit Committee	Handling of Audit Committee Opinions by the Company
2021.08.12	1. To review Loaning of Funds by the Company and its Subsidiaries. ° 2. To review the Company's Finance Manager Changes.	Adopted by all attending members (Independent Director Objections or Reservations: None)	Adopted by all attending directors in the Board meeting on 2021.08.12.
2021.08.24	1. To review Loaning of Funds by the Company and its Subsidiaries. ° 2. Credits by Fubon Bank (China) Co., Ltd. Suzhou Branch to the Company's Reinvestment Business. 3. The Company's intention to make endorsements and guarantees to MERIDA Bicycle (Jiangsu) Co., Ltd.	Adopted by all attending members (Independent Director Objections or Reservations: None)	Adopted by all attending directors in the Board meeting on 2021.08.24.
2021.11.11	1. To review Loaning of Funds by the Company and its Subsidiaries. ° 2. To review the Company's Planning of Annual Audit Plans for 2022. 3. To review the Company's intention to make endorsements and guarantees to MERIDA Bicycle (Jiangsu) Co., Ltd. 4. To review loans of MERIDA Bicycle (Shandong) Co., Ltd. under commission to MERIDA Bicycle (Jiangsu) Co., Ltd.	Adopted by all attending members (Independent Director Objections or Reservations: None)	Adopted by all attending directors in the Board meeting on 2021.11.11.

(2) Other matters yet to be adopted by the Audit Committee but approved by two-third of all directors through resolution other than foregoing matters: None.

2. Concerning implementation of recusals from proposals which an independent director is a stakeholder, Name of Independent Directors, Proposal Contents, Reason for Required Recusal and Participation in Voting: None.
3. Communications between Independent Directors and Internal Audit Supervisors and Accountants (shall include material matters, and methods and results thereof concerning the Company's financial and business situations):

Date of Communication Meeting	Proposal Contents	Communication Method	Communication Result
2021.03.25	1. Explanations on Scope of Annual Audit. 2. In response to the COVID-19 pandemic, inventory check and financial statements audit to subsidiaries in Mainland China shall be handled in accordance with the Guidelines on the Matters of Notice under the Adoption of Remote Working Model issued by Securities and Futures Bureau, Financial Supervisory Commission. 3. Audit Results and Adjustments to the Company's 2020 Annual Financial Report. 4. Recent Regulations Update-Corporate Governance 3.0. 5. Explanations on 2020 Key Audit Matters (KAM)	Presentations and Discussions	Acknowledged with no further opinions.

2021.11.11	<ol style="list-style-type: none"> 1. Brief Introduction of Audit Team. 2. Explanations on Merida Group Investment Framework. 3. Review Results and Adjustments to the Company's Q3 2020 Financial Report. 4. Explanations on the Scope and Manners Adopted in Audits to Merida Group by Deloitte. 5. Evaluation in Matters of Fraud. 6. Explanations on Identification of Significant Risks. 7. Explanations on Key Audit Matters. 8. CPA Independence Statement. 	Presentations and Discussions	Acknowledged with no further opinions.
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Note 1: If an independent director has resigned before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Audit Committee throughout his/her term and his/her actual attendance.

Note 2: If there is a by-election of independent directors, the new or incumbent independent directors shall be listed, and the status the independent directors being incumbent, new, or the date the independent director has been re-elected and the date of by-election shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Audit Committee throughout his/her term and his/her actual attendance.

Note 3: Independent directors Li Zong-Ying and Chuang Wen-Jing: discharged on August 4, 2021.

Note 4: Independent directors Tsai Wu-Ying and Lei Shin-Jung: assumed office on August 4, 2021.

(4) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

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

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
<p>3. Composition and Duties of Board of Directors</p> <p>(1) Does the Board of Directors formulate diversity policies and specific management goals and implement them?</p>	✓		(1) The Company has provided in its "Corporate Governance Best Practice Principles" that the composition of the Board of Directors shall consider diversity, with appropriate diversity policy for its own operation, operation type and development needs formulated. The Board of Directors of the Company includes 3 female directors and 4 independent directors, and the directors are equipped with expertise in the bicycle industry, financial accounting, product design, business administration, and information systems. For details on the implementation of the Board of Directors diversity policy, please refer to Page 23. .	(1) None
<p>(2) In addition to the Remuneration Committee and the Audit Committee assigned in accordance with the law, does the Company voluntarily set up other types of functional committees?</p>		✓	(2) The Company has established its Remuneration Committee and Audit Committee whose conducts are performed pursuant to provisions in “Remuneration Committee Charter” and “Audit Committee Charter”.	(2) Various salary and compensation management rules, important policies and management regulations of the Company are examined by Remuneration Committee and Audit Committee and submitted to the Board of Directors for resolution

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
(3) Does the Company adopt its Regulations Governing Appraisal of Board of Directors Performances and evaluation methods thereof, conduct performance evaluations annually and on a regular basis, and submit the results of performance evaluations to the Board of Directors, which is further applied as references in determining remuneration of independent director and nomination and term renewal?	✓		(3) The Company has adopted its “Regulations Governing Appraisal of Board of Directors Performances” and conducted performance evaluation on an annual basis, with results of such evaluation (see Pages 40~42) submitted to the Board of Directors, which will be further applied as references in determining remuneration of independent director and nomination and term renewal.	before implementation by the management team. No difficulty has been met in the process. (3) None
(4) Does the Company regularly evaluate the independence of the CPA?	✓		(4) The Company evaluates the independence of CPA and submits the result of such evaluation to the Board of Directors. For status of evaluation, please refer to Pages 81~82.	(4) None

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
4. Does the TWSE/TPEX Listed Company assign a competent and appropriate number of corporate governance personnel, and appoint a Governance Manager who is responsible for corporate governance-related matters (including but not limited to providing the directors and independent director with the information required for practicing business conducts, assisting the directors and independent directors in complying with applicable laws and regulations, handling matters relating to board meetings and shareholders meetings according to laws, and producing minutes of board meetings and shareholders meetings, etc.)?	✓		<ol style="list-style-type: none"> 1. The appointment of the Company’s Governance Manager is adopted by the Board of Directors and announced on the Company’s website. 2. In accordance with provisions in Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, duties of the Company’s Governance Manager include the following matters: <ol style="list-style-type: none"> 1. Handling Company registrations and change registrations. 2. Handling matters relating to board meetings and shareholders meetings according to laws and assisting the Company in complying with laws and regulations concerning the Board of Directors and shareholders’ meeting. 3. Producing minutes of board meetings and shareholders meetings. Providing directors with information required for practicing business conducts as well as latest regulatory developments with respect to company management for assisting directors’ compliance with the law. 5. Matters with respect to relationship with the investors. 6. Other matters set out in the articles or corporation or contracts. 	None

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
5. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), and set up stakeholder zones on its website, and properly respond to stakeholders’ concerns on important issues of corporate social responsibility?	✓		The “Stake holders” section has been set up on the Company’s website, and the relevant departments have responded appropriately to the opinions of the stakeholders.	None
6. Does the Company appoint a professional stock agency to handle the affairs of the shareholder’ meeting?	✓		In order to protect the rights and interests of shareholders to participate in the shareholders’ meeting, the Company appoints an independent and professional stock agency to handle the relevant affairs of the shareholders’ meeting.	None
7. Information Disclosure (1) Does the Company set up a website to disclose financial business and corporate governance information? (2) Does the Company adopt other ways of disclosure of information(e.g. setting up English websites, appointing special persons to be responsible for the collection and disclosure of Company information, implementing the spokesperson system, placing Company websites in the process of legal person’s presentation, etc.)? (3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?	✓ ✓		(1) The “Investor Information” section has been set up on the Company’s website to expose financial business and corporate governance information. (2) The Company has set up an English website and designated a person to be responsible for the collection and disclosure of information on Chinese and English websites. The Company has established a spokesperson system to coordinate with Company policies and the need for a unified external presentation. (3) The Company publishes and declares quarterly financial reports within the time limit according to law.	None

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
8. Does the Company have any other important information that is helpful to understand the operation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, rights of stakeholders, further education of directors and independent directors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and independent directors)?	✓		<p>(1) Employee’s rights. Employee care: refer to page 105-v. Labor Relations.</p> <p>(2) Investor Relations: The Company has established a spokesperson system to interact with the investing public. The Chinese and English websites also designate special persons to collect, disclose and process information.</p> <p>(3) Supplier Relations: Our Company has always maintained good relations with suppliers.</p> <p>(4) Rights of Stakeholders: Stakeholders have to communicate and suggest with relevant personnel of the Company. In order to to safeguard their legitimate rights and interests.</p> <p>(5) Further education of directors and independent directors: The Company always encourages directors to take part in further education, but for the sake of considering personal time and other factors, it is not mandatory. The Company provides relevant regulations for directors at any time. The management team also regularly gives business and related briefings to directors. [For further education of directors, please refer to MOPS].</p> <p>(6) Implementation of risk management policies and risk measurement standards: The Company has formulated various management</p>	None

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
			<p>regulations in accordance with the law as the basis for the implementation of various departments, and cooperated with internal audits to carry out various risk management and assessment.</p> <p>(7) Implementation of customer policy: The company has a customer telephone service line, company website and discloses relevant information at any time to interact with the outside world.</p> <p>(8) Purchase of liability insurance for directors and independent directors: The Company has purchased liability insurance for directors, independent directors and key employees.</p>	
<p>9. Please state the improvement of the corporate governance assessment issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in recent years, and put forward priorities and measures for strengthening the assessment of those who have not yet improved. (Those who are not included in the Company are not required to fill in)</p> <p>(1). Improvements in recent years:</p> <ol style="list-style-type: none"> 1) The English annual report and annual financial report were submitted 7 days before the shareholders' meeting. 2) The Company uploaded the shareholders' meeting manual and supplementary information to the shareholders' meeting 30 days before the annual general shareholders' meeting. 3) The Company uploads the annual report 16 days before the shareholders' meeting. 4) The company was invited to hold two investor conferences in the same year, and the first and last investor conferences of the year were held more than three months apart. 5) The Company's Board of Directors has established a self-evaluation or peer evaluation system, which has been in effect since 2020. 				

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Summary	
(2). Those who have not yet improved put forward priorities and measures for strengthening: <ol style="list-style-type: none"> 1) The Company uploads the annual report 18 days before the shareholders' meeting. 2) Prepare and announce the interim financial report in English. 				

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

(5) Composition, Duties and Operations of the Company’s Remuneration Committee:

1. Composition of Remuneration Committee:

- (1) The Company’s 4th Remuneration Committee is composed of Mr. Chen Shui-Jin, Mr. Chen Jian-Nan, and Mr. Lin Fu-Xing through engagement, as adopted through resolution in the Company’s 5th Board of Directors meeting convened on July 5, 2018.
- (2) The Company’s 5th Remuneration Committee is composed of Mr. Chen Jian-Nan, Mr. Chen Shui-Ji, and Mr. Lin Fu-Xing through engagement, as adopted through resolution on August 4, 2021 in the Company’s 5th Board of Directors in 2021, with the term from August 4, 2021 to August 3, 2024, whose expiration date coincides with that of the incumbent Board of Directors.
- (3) The first meeting of the 5th Remuneration Committee was held on August 23, 2021, and the convener Chen Jian-Nan has been elected from among the attending Remuneration Committee members.
- (4) In 2021, 3 meetings have been convened:
- (5) Information of Remuneration Committee members:

Identity (Note 1)	Criteria Name	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Convener)	Chen Jian-Nan	<p>The Company’s Remuneration Committee member Chen Jian-Nan is an independent director. For his/her Professional Qualifications and Experience, please refer to Page 19 “Disclosure on Professional Qualifications of Directors and Independence of Independent Directors”.</p> <p>Has qualification as an associate professor from related departments in universities and colleges and is equipped with work experience and skills related to product design and academic profession as required in businesses of the Company.</p> <p>Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act (Note 5).</p>	<p>All members in the Remuneration Committee meet the following criteria:</p> <p>1. Complies with provisions under Article 14-6 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission as well as Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange (Note 4).</p> <p>2. Does not hold any outstanding shares of the Company under his/her own name (or the name of others), his/her spouse or minor children.</p>	

Independent Director	Chen Shui-Jin	The Company's Remuneration Committee member Chen Shui-Jin is an independent director. For his/her Professional Qualifications and Experience, please refer to Page 19 "Disclosure on Professional Qualifications of Directors and Independence of Independent Directors". Has obtained certification as CPA and is equipped with work experience, professional know-how and skills related to finance and accounting as required in businesses of the Company. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act (Note 5).	3. Has not received any amount of compensation for provision or services concerning commerce, law, finance, accounting, or others to the Company or its affiliates in the most recent two years.	3
Others	Lin Fu-Xing	Has obtained qualification as an attorney at law and is equipped with work experience, professional know-how and skills related to laws as required in businesses of the Company. Is not under any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act (Note 5).		

Note 1: Please specify the years of working experiences, professional qualifications and experience, and independence criteria of the Remuneration Committee members in the table. Where a member is an independent director, reference to Page OO appended table 1 Information of Directors and Supervisors (1) can be specified in the Remarks column. For identity, please enter Independent Director or Others (Add note if the member is a convener).

Note 2: Professional Qualifications and Experience: Please specify Professional Qualifications and Experience of each Remuneration Committee member.

Note 3: Compliance with Independence Criteria: specify the compliance of salary and Remuneration Committee members with Independence Criteria, which is composed of whether the independent director including the independent director himself/herself, his/her spouse, or relatives within 2nd degree of kinship serves as director, independent director or employee of the Company or its affiliates; number of the Company's shares held by the member, together with those held by the member's spouse or relatives within 2nd degree of kinship (or under the names of other parties) as well as their ratios; whether the member serves as director, independent director or employee of the Company or a company with special relations with the Company (refer to Article 6, Paragraph 1, Subparagraphs 5~8 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange"); amount of compensation received for provision or services concerning commerce, law, finance, accounting, or others to the Company or its affiliates in the most recent two years.

Note 4: During the two years before being elected or during the term of office, a member may not have been or be any of the following:

1. An employee of the Company or any of its affiliates.
2. A director or independent director of the Company or any of its affiliates; provided, this does not apply when an independent director concurrently serves as the same role assigned in the Company or its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Act or laws or regulations in the country of incorporation)
3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager entered in (1) or any of the persons in the (2) and (3).
5. A director, independent director, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act; provided, this does not apply when an independent director concurrently serves as the same role assigned in the Company or its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Act or laws or regulations in the country of incorporation)
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, independent director, or employee of that other company; provided, this does not apply when an independent director concurrently serves as the same role assigned in the Company or its parent company, subsidiaries or subsidiaries of the same parent

company in accordance with the Act or laws or regulations in the country of incorporation.

7. If the chairperson, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution; provided, this does not apply when an independent director concurrently serves as the same role assigned in the Company or its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Act or laws or regulations in the country of incorporation.
8. A director (or governor), supervisor, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company; provided, this does not apply when the specific company or institution holds more than 20 percent but fewer than 50 percent of the Company's outstanding shares, and when an independent director concurrently serves as the same role assigned in the Company or its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Act or laws or regulations in the country of incorporation.
9. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Note 5: A person who is under any of the following circumstances shall not act as a manager of a company. If he has been appointed as such, he shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

2. Duties of the Remuneration Committee:

Duties of the Remuneration Committee encompasses, with their professional and impartial status, evaluations on policies of remunerations paid to the Company's directors, managers, etc., as well as proposal to the Board of Directors as reference in the decision-making process. The duties are as follows:

- (1) Review on the charter and proposal of amendment suggestions thereof on a regular basis.
- (2) Promulgation and regular review on the policy, system, standard and structure of remunerations to the Company's directors and managers.
- (3) Evaluation of the attainment of performance goals for directors and managers of the Company on a regular basis, with re-examinations on the contents and amounts of remunerations received by respective role.

3. Remuneration Committee Operation Status:

- (1) The term of this Remuneration Committee: from August 4, 2021 to August 3, 2024, whose expiration date coincides with that of the incumbent Board of Directors.
- (2) The Remuneration Committee have convened 3 (A) meetings in 2021, with the attendance by members as follows:

Title	Name	Actual Attendance (B)	Frequency of Proxy Attendance	Actual Attendance Rate (%) [B/A]	Remarks
Convener	Chen Jian-Nan	3	-	100%	Re-elected
Member	Chen Shui-Jin	3	-	100%	Re-elected
Member	Lin Fu-Xing	3	-	100%	Re-elected

Other Matters for Recordation:

- Where the Board of Directors does not adopt or amend suggestions by the Remuneration Committee, Date of Board of Directors Meeting, Period, Proposal Contents, Board of Directors Resolutions, and Handling of Remuneration Committee Opinions by the Company shall be specified (if the remuneration adopted by Board of Directors is more preferable than suggestions by Remuneration Committee, the deviation and reason for such preferable proposal shall be specified): None.
- With respect to resolutions made in a Remuneration Committee meeting, if there are opinions expressing objections or reservations from members that were included in records or stated in writing, Date of Remuneration Committee Meeting, Period, Proposal Contents, Opinions from All Members and Handling of Opinions from the members shall be specified: None.
- Reasons for Discussions in Remuneration Committee and Resolutions thereof, and Handling of Remuneration Committee Opinions by the Company:

Date of Remuneration Committee Meeting	Proposal Contents	Remuneration Committee Resolutions	Handling of Remuneration Committee Opinions by the Company
2021.02.05	<ol style="list-style-type: none"> To review the Company's Amendment to the "Regulations Governing Offering of Year-End Bonus". To review the Company's Year-End Bonus Distribution to Employees in 2020. To review the Company's Adjustment to Employees' Salary. 	Adopted by all attending members	Adopted by all attending directors in the Board meeting on 2021.02.05.
2021.03.25	<ol style="list-style-type: none"> To review the Company's Results of Evaluation of Performance of the Company's Board of Directors and Director Members in 2020. To review the Company's Distributions of Employees' and Directors' Remuneration in 2020. To review the Company's Adjustment to Employees' Salary in 2021. 	Adopted by all attending members	Adopted by all attending directors in the Board meeting on 2021.03.25.

2021.08.23	1. To review the Company's Distributions of Directors' Remuneration in 2020. 2. To review the Company's Distribution of Employees' Remuneration in 2020.	Adopted by all attending members	Adopted by all attending directors in the Board meeting on 2021.08.24.
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- Notes: 1. If a Remuneration Committee member has resigned before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Remuneration Committee throughout his/her term and his/her actual attendance.
2. If there is a by-election of Remuneration Committee members, the new or incumbent members shall be listed, and the status the Remuneration Committee members being incumbent, new, or the date the member has been re-elected and the date of by-election shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated by the number of meetings held by the Remuneration Committee throughout his/her term and his/her actual attendance.

(6) Status in the Implementation of Sustainable Development and Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations :

Items of Promotion	Implementation Status (Note 1)			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N	Summary	
1. Does the Company establish and promote its structure for governance over sustainable development and establish an exclusively (or concurrently) dedicated unit to be in charge of promotion of sustainable development, and have its Board of Directors appoint executive-level positions with responsibility for handling? In addition, what is the status of the supervision by the Board of Directors?	✓		In the meantime, the Board of Directors appoints executive-level positions with responsibility for governance, environmental sustainability and social engagement resulting from the business operations of THE Company as well as reporting of the status of the handling to the Board of Directors when appropriate.	None
2. Does the Company, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to Company operations and establish the relevant risk management policy or strategy? (Note 2)	✓		<p>1. The Company has formulated the "Sustainable Development Best Practice Principles" and announced it on the Company's website as means of management over environmental, social and corporate governance issues pertaining to Company operations with a view to practice corporate social responsibility and sustainable development goals.</p> <p>2. The relevant management regulations set by the Company adopt a preventive policy in order to reduce the losses caused by risks. In the meantime, the Company evaluates, deals with and control the potential risks that may affect the Company's achievement and performance of sustainable development</p>	None

Items of Promotion	Implementation Status (Note 1)			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N	Summary	
			goals. Meanwhile, sufficient communication and monitoring are made possible through Company information to allow the implementation status of all relevant departments in conformity to the management regulations.	
<p>3. Environmental Issues</p> <p>(1) Does the Company establish proper environment management systems based on the characteristics of its industries</p> <p>(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources?</p> <p>(3) Does the Company assess the current and future potential risks and opportunities that climate change may present to enterprises and adopt climate related measures?</p> <p>(4) Does the Company compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste in the recent two years and establish policies for energy conservation, carbon and greenhouse gas</p>	<p>✓</p> <p>✓</p> <p></p> <p>✓</p>	<p></p> <p>✓</p> <p></p>	<p>(1) The Company has formulated operating procedures with respect to air pollution, waste water and waste disposal according to relevant laws and regulations.</p> <p>(2) The Company endeavors to the conservation of various energy sources to improve the efficiency of use, and implements scrap and waste sorting and reduction for further handling by recycling and reuse vendors for disposal to reduce the impact on environmental pollution.</p> <p>(3) The Company has not yet assessed the current and future potential risks and opportunities that climate change may present to the enterprise or adopt climate related measures.</p> <p>(4) The Company has compiled statistics on greenhouse gas emissions, volume of water consumption and total weight of waste of the recent two years and has established policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. Please refer to (3) Energy</p>	None

Items of Promotion	Implementation Status (Note 1)		Summary	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
reduction, reduction of water consumption or management of other wastes?			Saving and Environmental Protection Policies on Pages 103~104.	
<p>4. Social Issues</p> <p>(1) Does the Company comply with relevant laws and regulations and the International Bill of Human Rights and adopt relevant management policies and processes?</p> <p>(2) Does the Company establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration?</p> <p>(3) Does the Company provide safe and healthful work environments for their employees and organize training on safety and health for their employees on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) In accordance with relevant labor laws and regulations, the Company has formulated "Work Rules", "Regulations governing Prevention, Complaint, and Discipline thereof for Sexual Harassment at Workplace" and related management regulations such as employee appointment, dismissal, and retirement to protect employees' rights and interests.</p> <p>(2) The Company has established and implemented reasonable employee welfare measures. Please refer to v. Labor Relations on Page 105.</p> <p>(3) 1. The Company organizes health checkups for employees on an annual basis. Meanwhile, the Company's Safety & Hygiene Division regularly holds occupational safety training program, and assigns relevant personnel to participate in external professional education and training to obtain professional licenses. 2. The Company has entered into agreements with physicians holding professional certificates in occupational medicine on the monthly on-site services</p>	None

Items of Promotion	Implementation Status (Note 1)		Summary	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
(4) Does the Company establish effective training programs for its employees to foster career skills?	✓		<p>entailing services such as health education and medical consultation for employees.</p> <p>(4) 1. The Company has formulated an annual education and training plan in consideration of talent development. The training items include management function training for supervisors at all hierarchies, professional function training for employees in various positions, advocacy of employee-related regulations, general functions training, on-site multi-skill training, etc.</p> <p>2. Competent and responsible units of the Company may, based on employee needs, arrange the employee participation in courses organized by external professional training institutions to strengthen their functional development and market competitiveness.</p>	
(5) In regard to customer health and safety, customer privacy involved in, and marketing and labeling, does the Company follow relevant laws, regulations and international guidelines and adopt clear and effective procedure for accepting consumer complaints?	✓		<p>(5) In regard to customer health and safety, customer privacy involved in, and marketing and labeling, of its products and services, the Company follows the relevant domestic and exporting country regulations and international standards and complies with the Personal Data Protection Act for customer privacy. Meanwhile, the Company has set up on its website a dedicated area for stakeholders as well as a dedicated customer service hotline to protect the rights and interests of consumers or customers, meanwhile</p>	

Items of Promotion	Implementation Status (Note 1)		Summary	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
(6) Does the Company establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights? In the meantime, what is the implementation status of such?	✓		maintaining a smooth channel for complaints and grievances. (6) The Company performs evaluations on its suppliers and signs transaction contracts with suppliers, whose provision enables the Company to terminate or cancel the contract terms at any time in the event of violation against customer needs or relevant regulations and international standards of exporting countries, as the endeavor of environmental protection, occupational safety and health or compliance with labor rights and other issues. Suppliers comply with the terms of the contracts and shows benign cooperation.	
5. Does the Company refer to the internationally accepted report preparation standards or guidelines to prepare reports such as sustainability reports that disclose non-financial information of the Company? Has the previous disclosure report obtained the validation or assurance opinion of the third-party verification unit?		✓	The Company, although currently does not fall into the category of statutes requiring the preparation of sustainability reports, is considering the preparation of sustainability reports with reference to the internationally accepted standards or guidelines for the preparation of sustainability reports in a timely manner.	None
6. Where the Company has adopted its Sustainable Development Principles in accordance with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please elaborate the deviations of its operations from the adopted Principles: The Company’ “Sustainable Development Best Practice Principles” has been disclosed on the Company’s website. The operation contains no deviation from the provisions of the Principles.				

Items of Promotion	Implementation Status (Note 1)		Summary	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
<p>7. Other Important Information Beneficial in Understanding Status in the Implementation of Sustainable Development: The Company has, in maintaining rights of consumers, set up its website in Chinese and English, and has furnished its customer service hotline for collection of various types of information and services thereof by dedicated personnel.</p>				

Note 1: In case “Y” is ticked at the Implementation Status, please elaborate on the important policies, strategies, measures and their implementation status; In case “N” is ticked at the Implementation Status, please explain the deviation and reasons for such deviation at the “Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations” column, with additional descriptions on the plans pertaining to relevant policies, strategies and measures in the future.

Note 2: Materiality principle refers to the topics with respect to the environment, society and corporate governance which has material influence on the investors and other stakeholders of the Company.

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

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

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

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

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

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

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

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

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

(10) Implementation of Internal Control System:

1. Internal Control Statement

**MERIDA INDUSTRY CO., LTD.
Internal Control Statement**

Date : March 23,2022

Based on the results of our self-assessment, the Company's internal control system for 2021 is hereby declared as follows:

1. The company knows that it is the responsibility of the board of directors and managers of the company to establish, implement and maintain the internal control system. The company has established this system, which aims to ensure the effectiveness and efficiency of operation (including profit, performance, and asset security), reliability, timeliness, transparency and compliance with relevant norms and regulations.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to the change of environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once the deficiencies are identified, the Company will take corrective action.
3. The Company judges whether the design and implementation of the internal control system is effective according to the judgment items of the effectiveness of the internal control system stipulated in the Standards for Publicly Held Companies to Internal Control Systems (hereinafter referred to as "Standards"). The internal control system adopted in the "Standards" judges that the project is a process of management control and divides the internal control system into five elements: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision of operations. Each component element also includes several items. For the above items, please refer to the provisions of the "Standards".
4. The Company has adopted the above-mentioned judgment items of internal control system to evaluate the effectiveness of the design and implementation of internal control system.
5. Based on the results of the foregoing assessment, the Company considers that the design and implementation of its internal control system (including supervision and management of its subsidiaries) on December 31 2021, including the understanding of the effectiveness of operations and the extent to which efficiency objectives have been achieved, are reliable, timely, transparent and in compliance with relevant norms and regulations and the compliance with relevant internal control systems, are effective and reasonably ensuring that the above objectives are achieved.
6. This statement will be the main content of the annual report and the public instructions of the Company and will be made to the public. If any of the above-mentioned contents are false or concealed, they will be involved in the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This statement has been approved by the Board of Directors of our Company on March 23, 2022. Of the 13 directors present, 0 have objections. The rest agree with the contents of this statement and make this statement.

MERIDA INDUSTRY CO., LTD.

Chairman: Tseng Song-zhu

President:Tseng Song-zhu

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

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

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

(11) Punishments to the Company and its Personnel, Disciplinary Disposition to the Personnel by the Company owing to Violation against Internal Control System, and Major Defects and Improvement Thereof in the Most Recent Year and as of the Date of Annual Report Publication: None.

(12) Important Resolutions by the Shareholders' Meeting or Board of Directors' Meeting in the Most Recent Year and as of the Date of Annual Report Publication:

1. Regular Shareholders' Meeting: held on June 25, 2021.

(1) Important Resolutions and Implementation Status:

A. To adopt the Company's 2020 Business Report and Standalone and Consolidated Financial Reports

Implementation Status: resolved by the shareholders' meeting and publicly announced on MOPS.

B. To adopt the ratifications on the Company's 2020 earnings distributions

Implementation Status: Per 2020 Earnings Distribution, a cash dividend at NTD 7.0 will be distributed for per share held. According to the resolutions by the 2nd Board of Directors meeting in 2021, the record date is set to August 11, 2021, with distributions set to be completed by August 25, 2021.

C. To adopt the amendments to the Company's Articles of Incorporation

Implementation Status: amended version publicly announced on the Company's website after resolved by the shareholders' meeting, with subsequent event handled pursuant to the amended procedure.

D. To adopt the amendments to the Company's Rules of Procedure for the Shareholders' Meetings

Implementation Status: amended version publicly announced on the Company's website after resolved by the shareholders' meeting, with subsequent event handled pursuant to the amended procedure.

E. By-Election of the Company's Directors (incl. Independent Directors)

Election Result:

(A)List of Directors Elect: Tseng Song-Zhu, Tseng-Lu Min-Hua, Tseng Song-Ling, Luo Tsai-Jen, Ding-Sheng Investment Co., Ltd. Rep.-Tseng Hui-Juan-1 seat, Ding-Hung Investment Co., Ltd. Rep.-Zheng Wen-Xiang, Yuan Qi-Bin, Lai Ru-Din, Tseng Ching-Cheng-4 seats.

(B)List of Independent Directors Elect: Chen Shui-Jin, Chen Jian-Nan, Tsai Wu-Ying, and Lei Shin-Jung.

F. Adoption of the Removal of Non-Competing Limitations to the Company's New Directors

Implementation Status: resolved by the shareholders' meeting and publicly announced on MOPS.

2. Board of Directors:

- (1) The 1st Board of Directors meeting in 2021 held on February 5, 2021:
- A. The Company's Internal Audit Status Report
 - B. Amendment to the Company's "Regulations Governing Offering of Year-End Bonus"
Resolution: approved and adopted by all attending directors and independent directors.
 - C. The Company's 2020 Year-End Bonus Distribution to Employees
Resolution: approved and adopted by all attending directors and independent directors.
 - D. Salary Adjustment to Employees of the Company
Resolution: approved and adopted by all attending directors and independent directors.
- (2) The 2nd Board of Directors meeting held on March 25, 2021:
- A. The Company's Internal Audit Status Report
 - B. The Company's 2020 Board of Directors Performance Evaluation Result Report
 - C. The Company's 2020 Business Report
 - D. The Company's Annual Business Plans Report for the Year 2021
 - E. To report the Company's Reinvestment Business Overview
 - F. Report of Group Operation Status by Region
 - G. The Company's 2020 Employees' Remuneration and Directors' Remuneration Distribution
Resolution: approved and adopted by all attending directors and independent directors.
 - H. To ratify the Company's 2020 Business Report
Resolution: approved and adopted by all attending directors and independent directors.
 - I. To ratify the Company's 2020 Standalone and Consolidated Financial Reports
Resolution: approved and adopted by all attending directors and independent directors.
 - J. To ratify the Company's 2020 earnings distribution
Resolution: approved and adopted by all attending directors and independent directors.
 - K. Amendments to the Company's Articles of Incorporation
Resolution: approved and adopted by all attending directors and independent directors.
 - L. Amendments to the Company's Rules of Procedure for the Shareholders' Meetings
Resolution: approved and adopted by all attending directors and independent directors.
 - M. By-Election of the Company's Directors (incl. Independent Directors)
Resolution: approved and adopted by all attending directors and independent directors.
 - N. Convening Date, Location, Agenda and Relevant Matters of the Company's 2021 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.

- O. The Acceptance Period for Proposals by Shareholders, Location and Related Matters for the Company's 2021 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.
 - P. The Acceptance Period for Director (incl. Independent Director) Candidate Nomination, Location and Related Matters for the Company's 2021 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.
 - Q. To Review the Company's 2020 "Internal Control System Statement"
Resolution: approved and adopted by all attending directors and independent directors.
 - R. To review the Company's Loaning of Funds
Resolution: approved and adopted by all attending directors and independent directors.
 - S. To review the 2021 Adjustments of Salary Paid to Employees of the Company
Resolution: approved and adopted by all attending directors and independent directors.
 - T. Independence and Suitability Evaluation of CPA of the Company
Resolution: approved and adopted by all attending directors and independent directors.
 - U. To review the Company's CPA Audit Professional Charge for the Year 2021
Resolution: approved and adopted by all attending directors and independent directors.
 - V. Personnel Change to the Company's Accounting Manager
Resolution: approved and adopted by all attending directors and independent directors.
 - W. MERIDA Bicycle (CHINA) Co., Ltd. Loans under Commission to MERIDA Bicycle (Jiangsu) Co., Ltd.
Resolution: approved and adopted by all attending directors and independent directors.
- (3) The 3rd Board of Directors Meeting in 2021 held on May 11, 2021
- A. The Company's Internal Audit Status Report
 - B. To report the Company's Q1 2021 Consolidated Financial Report
 - C. To report the Overview of the Company's Reinvestment Business in Q1 2021
 - D. Report of Group Operation Status by Region
 - E. To review the Loaning of Funds by the Company and its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
 - F. To announce and review the list of the Directors (incl. Independent Directors) Candidates by the Board of Directors
Resolution: approved and adopted by all attending directors and independent directors.
 - G. To review the Acquisition of Assets by the Subsidiary Merida &

Centurion Germany GmbH

Resolution: approved and adopted by all attending directors and independent directors.

- (4) The 4th Board of Directors Meeting in 2021 held on June 29, 2021:
- A. The Company's Internal Audit Status Report
 - B. Removal of Non-Competing Limitations to the Company's New Directors
Resolution: approved and adopted by all attending directors and independent directors.
 - C. Appointment of the Company's "Governance Manager"
Resolution: approved and adopted by all attending directors and independent directors.
 - D. To review the Loaning of Funds by the Company and its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
 - E. Increase in Ceilings of the Company's Endorsement and Guarantee to the subsidiary Merida Bike Ltd.
Resolution: approved and adopted by all attending directors and independent directors.
 - F. Adoption of Date and Venue for Postponed Convening of the Company's 2021 annual shareholders' meeting
Resolution: approved and adopted by all attending directors and independent directors.
 - G. Adoption of the Schedules of Operations Related to the Company's 2020 Earnings Distribution in Ordinary Shares Cash Dividend
Resolution: approved and adopted by all attending directors and independent directors.
- (5) The 5th Board of Directors Meeting in 2021 held on August 4, 2021:
- A. Proposed Election of the Company's New Chairman
Resolution: The attending directors and independent directors have unanimously elected Director Tseng Song-Zhu as Chairman.
 - B. Proposed Election of the Company's New Vice Chairman
Resolution: The attending directors and independent directors have unanimously elected Director Tseng Song-Ling as Vice Chairman.
 - C. Appointment of the Company's 5th Remuneration Committee Members
Resolution: During discussion and voting, the related parties Independent Directors Chen Shui-Jin and Chen Jian-Nan have recused themselves from such by leaving the venue for avoidance of interest conflict. The rest of the attending directors and independent directors have approved the appointment of Mr. Chen Shui-Jin, Mr. Chen Jian-Nan, and Mr. Lin Fu-Xing as the members of the Company's 5th Remuneration Committee, effective immediately. The term of the Committee starts from the date of adoption by the Board of Directors and ends on August 3, 2024, which coincides with the expiration date for the term of the

incumbent Board of Directors.

D. Payment of Remunerations to Remuneration Committee Members of the Company

Resolution: During discussion and voting, the related parties Independent Directors Chen Shui-Jin and Chen Jian-Nan have recused themselves from such by leaving the venue for avoidance of interest conflict. The rest of the attending directors and independent directors have approved such matter.

E. Payment of Remunerations to Independent Director of the Company

Resolution: During discussion and voting, the related parties Independent Directors Chen Shui-Jin, Chen Jian-Nan, Tsai Wu-Ying and Lei Shin-Jung have recused themselves from such by leaving the venue for avoidance of interest conflict. The rest of the attending directors and independent directors have approved such matter.

(6) The 6th Board of Directors Meeting in 2021 held on August 12, 2021:

A. The Company's Internal Audit Status Report

B. To report the Company's Q2 2021 Consolidated Financial Report

C. To report the Overview of the Company's Reinvestment Business in Q2 2021

D. Report of Group Operation Status by Region

E. To review the Loaning of Funds by the Company and its Subsidiaries

Resolution: approved and adopted by all attending directors and independent directors.

F. Personnel Change to the Company's Finance Manager

Resolution: approved and adopted by all attending directors and independent directors.

(7) The 7th Board of Directors Meeting in 2021 held on August 24, 2021:

A. The Company's Internal Audit Status Report

B. To review the Loaning of Funds by the Company and its Subsidiaries

Resolution: approved and adopted by all attending directors and independent directors.

C. Credits by Fubon Bank (China) Co., Ltd. Suzhou Branch to the Company's Reinvestment Business.

Resolution: approved and adopted by all attending directors and independent directors.

D. The Company's intention to make endorsements and guarantees to MERIDA Bicycle (Jiangsu) Co., Ltd.

Resolution: approved and adopted by all attending directors and independent directors.

E. MERIDA Distribution of 2020 Directors' Remuneration

Resolution: approved and adopted by all attending directors and independent directors.

F. MERIDA Distribution of 2020 Employees' Remuneration

Resolution: approved and adopted by all attending directors and independent directors.

- G. The Company's Changes in Personnel
Resolution: approved and adopted by all attending directors and independent directors.
- (8) The 8th Board of Directors Meeting in 2021 held on November 11, 2021:
- A. The Company's Internal Audit Status Report
 - B. To report the obtaining of "Directors and Managers' Liability Insurance" by the Company
 - C. The Company's Q3 2021 To report the Company's Consolidated Financial Report
 - D. To report the Overview of the Company's Reinvestment Business in Q3 2021
 - E. Report of Group Operation Status by Region
 - F. To review the Company's Loaning of Funds
Resolution: approved and adopted by all attending directors and independent directors.
 - G. The Company's Planning of Annual Audit Plans for 2022.
Resolution: approved and adopted by all attending directors and independent directors.
 - H. The Company's intention to make endorsements and guarantees to MERIDA Bicycle (Jiangsu) Co., Ltd.
Resolution: approved and adopted by all attending directors and independent directors.
 - I. MERIDA Bicycle (Shandong) Co., Ltd. Loans under Commission to MERIDA Bicycle (Jiangsu) Co., Ltd.
Resolution: approved and adopted by all attending directors and independent directors.
- (9) The 1st Board of Directors Meeting in 2022 held on January 25, 2022:
- A. The Company's Internal Audit Status Report
 - B. The Company's Year-End Bonus Distribution to Employees for the Year 2021
Resolution: approved and adopted by all attending directors and independent directors.
 - C. Salary Adjustment to Employees of the Company
Resolution: approved and adopted by all attending directors and independent directors.
 - D. To review the Company's Loaning of Funds
Resolution: approved and adopted by all attending directors and independent directors.
 - E. Amendments to the Corporate Social Responsibilities Best Practice Principles
Resolution: approved and adopted by all attending directors and independent directors.
 - F. Amendments to the Company's Corporate Governance Best Practice Principles
Resolution: approved and adopted by all attending directors and independent directors.
 - G. Amendments to the Company's Audit Committee Charter
Resolution: approved and adopted by all attending directors and independent directors.

- H. Personnel Change to the Company's Internal Audit Supervisor
Resolution: approved and adopted by all attending directors and independent directors.
 - I. Personnel Change of the Company concerning Appointment of Roles for Reinvestment Business
Resolution: approved and adopted by all attending directors and independent directors.
 - J. To review the Addition of Banks of Trading with the Company
Resolution: approved and adopted by all attending directors and independent directors.
- (10) The 2nd Board of Directors Meeting in 2022 held on March 23, 2022:
- A. The Company's Internal Audit Status Report
 - B. The Company's 2021 Board of Directors Performance Evaluation Result Report
 - C. The Company's 2021 Business Report
 - D. The Company's Annual Business Plans Report for the Year 2022
 - E. To report the Company's Reinvestment Business Overview
 - F. Report of Group Operation Status by Region
 - G. The Company's 2021 Distributions of Employees and Directors' Remuneration
Resolution: approved and adopted by all attending directors and independent directors.
 - H. To ratify the Company's 2021 Business Report
Resolution: approved and adopted by all attending directors and independent directors.
 - I. To ratify the Company's 2021 Standalone and Consolidated Financial Reports
Resolution: approved and adopted by all attending directors and independent directors.
 - J. To ratify the Company's 2021 earnings distributions
Resolution: approved and adopted by all attending directors and independent directors.
 - K. To Review the Company's 2021 "Internal Control System Statement"
Resolution: approved and adopted by all attending directors and independent directors.
 - L. Amendments to the Company's Articles of Incorporation
Resolution: approved and adopted by all attending directors and independent directors.
 - M. Amendments to the Company's Rules of Procedure for the Shareholders' Meetings
Resolution: approved and adopted by all attending directors and independent directors.
 - N. To review the Company's Loaning of Funds
Resolution: approved and adopted by all attending directors and independent directors.
 - O. To review the 2022 Adjustments of Salary Paid to Employees of the Company
Resolution: approved and adopted by all attending directors and

independent directors.

- P. Independence and Suitability Evaluation of CPA of the Company
Resolution: approved and adopted by all attending directors and independent directors.
- Q. Amendment to the Company's Handling Procedure for Acquisition or Disposal of Assets
Resolution: approved and adopted by all attending directors and independent directors.
- R. To review the Company's CPA Audit Professional Charge for the Year 2022
Resolution: approved and adopted by all attending directors and independent directors.
- S. Date, Location, Agenda and Related Matters for the Company's 2021 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.
- T. The Acceptance Proposals by Shareholders, Location and Related Matters for the Company's 2021 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.

(13) Record or Written Statements Concerning Different Opinions by Directors or Independent Directors on the Important Resolutions by the Board of Directors in the Most Recent Year and as of the Date of Annual Report Publication: None.

(14) Status of Resignation or Discharge for Personnel Relevant to Financial Reports (Chairman, President, Accounting Manager, Finance Manager, Internal Audit Supervisor, R&D Supervisor, etc.) in the Most Recent Year and as of the Date of Annual Report Publication:

April 1, 2022

Title	Name	Date of Assumption	Date of Discharge	Reason for Resignation/Discharge
Vice President	Tsai Xua-Liang		April 1, 2021	Accounting Manager Job Rotation
Manager	Liu Ming-Gen	April 1, 2021		Accounting Manager Job Rotation
Vice President	Tsai Xua-Liang		August 27, 2021	Finance Manager Job Rotation
Manager	Liu Ming-Gen	August 27, 2021		Finance Manager Job Rotation
Vice President	Chen Cheng-Bin		October 14, 2021	R&D Supervisor Job Rotation
Associate Manager	Wu Yu-Fan	October 14, 2021		R&D Supervisor Job Rotation
Associate Manager	Wang Lung-Jin		March 2, 2022	Internal Audit Supervisor Job Rotation

Senior Specialist	Shi Miao-Ru	March 2, 2022		Internal Audit Supervisor Job Rotation
Note: Relevant Personnel of the Company refers to the Chairman, President, Accounting Manager, Finance Manager, Internal Audit Supervisor, R&D Supervisor, etc.				

iv. Accountant Professional Charge Information

CPA Professional Charges for the services to the Company has been reviewed and adopted by the Audit Committee and then submitted to the Board of Directors for approval

Unit: NTD Thousands

Name of CPA Firm	Name of Accountant	CPA Audit Period	Professional Charge for Auditing	Professional Charge for Non-Auditing Services	Total	Remarks
Deloitte & Touche	Chiang Shu-Chin	2021/1/1~ 2021/12/31	5,520		5,520	
	Tseng Done-Yuin					
Deloitte & Touche	Kang Yu-Yeh			1,297	1,297	Professional Charges on Tax Compliance Audit, Business Tax Direct Deduction Method, Master File, Country-by-Country Report, Transfer Pricing Report, etc.

Note: If there is any replacement of accountants or accounting firms in the Company this year, please indicate the period of audit and the reasons for replacement in the Remarks column, and disclose in order the information of professional charge payments on audit services and non-audit services. For charges on non-auditing services, please append notes on the description of services.

v.Replacement of Accountant

1. Regarding the former Accountant:

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

2. Regarding the successor Accountant:

Name of accounting firm	None
Name of Accountant	None
Date of Appointment	None
Advisory matters and results on accounting treatment or accounting principles for specific transactions and possible issuance of financial reports prior to appointment	None
Written opinions of successor Accountants on different opinions of former Accountants	None

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

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

According to Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the relevant regulations of "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China", the Company has assessed the independence of the CPA and submitted the result to the Company's second meeting of the Board of Directors in 2022

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

Date of assessment: March 23, 2022

The assessment items are as follows:

- (1) Whether the Accountant of our company is qualified as an Accountant to carry out accounting business.
 Yes No
- (2) Does the Accountant of the company hold any shares in the Company?
 Yes No
- (3) Does our Accountant borrow money from the Company?
 Yes No
- (4) Whether the Accountant of our Company has a relationship with our Company for joint investment or benefit sharing?
 Yes No
- (5) Does the Accountant of the Company serve us two years before the start of the certification or within one year after the termination of the partnership?
 Yes No
- (6) Does the Accountant of our Company work part-time, such as the person in charge, director, supervisor, manager, or staff of our Company and receive fixed salaries?
 Yes No
- (7) Does the Accountant of the Company have any affiliation with the management of the Company, such as spouse, relative in-law, relation within second generation, etc.?
 Yes No
- (8) Does the Accountant of our Company have any management functions related to the decision-making of our Company?
 Yes No
- (9) Whether the Accountant of the Company directly or indirectly implies some relationship or solicits business personnel by means of inducement.
 Yes No
- (10) Whether the Accountant of the Company receives commissions in connection with any business of the Company.
 Yes No
- (11) Whether the Company's Accountant has signed with the Company in advance the amount of payment, payment method, etc.
 Yes No

- (12) Whether the Accountant's fee is charged and based on the achievement of a discovery or result.
 Yes No
- (13) Does the Accountant of the Company have knowledge of the relevant industries?
 Yes No
- (14) Whether the Company's Accountant performs the financial statement audit in accordance with Generally Accepted Auditing Standards and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.
 Yes No
- (15) The Accountant of the Company shall keep confidential the matters entrusted to it without the consent of the Company. No leakage shall be allowed except in accordance with the professional standards or regulations prescribed by law.
 Yes No
- (16) The Accountant of the Company shall not have any adverse intention to the Company or any third party by virtue of the secrets obtained from its business.
 Yes No

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

viii. Changes in Share Ownership Transfer and Pledge of Shares by Directors, Independent Directors, Managers and Shareholders with Shareholding over 10% in the Most Recent Year and as of Date of Annual Report Publication

(1) Changes in Equity for Directors, Independent Directors, Manager and Major Shareholders:

Unit: Shares

Title (Note 1)	Name	Year 2021		As of April 25, 2022	
		Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged	Increase (Decrease) in Number of Shares Held	Increase (Decrease) in Number of Shares Pledged
Chairman and President	Tseng Song-Zhu	0	0	0	0
Director	Tseng Song-Ling	0	0	0	0
Director	Tseng-Lu Min-Hua	123,000	0	140,000	0
Director	Chiu Li-Qing (Note 3)	0	0	0	0
Director	Luo Tsai-Jen (Note 3)	0	0	0	0
Director	Ding-Sheng Investment Co.,Ltd. Rep.: Tseng Hui-Juan	0	0	0	0
Director	Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang Tsai Xua-Liang (Note 4) Yuan Qi-Bin Lai Ru-Ding Tseng Ching-Cheng (Note 4)	0	0	0	0
Independent Director	Chen Shui-Jin	0	0	0	0
Independent Director	Chen Jian-Nan	0	0	0	0
Independent Director	Li Zong-Ying (Note 5)	0	0	0	0
Independent Director	Chuang Wen-Jing (Note 5)	0	0	0	0
Independent Director	Tsai Wu-Ying (Note 5)	0	0	0	0
Independent Director	Lei Shin-Jung (Note 5)	0	0	0	0
Vice President	Tseng Shang-Yuan	0	0	0	0

Vice President	Zheng Wen-Xiang	0	0	0	0
Vice President	Tsai Xua-Liang (Note 6)	0	0	0	0
Vice President	Chen Cheng-Bin (Note 7)	0	0	0	0
Vice President	Yuan Qi-Bin	0	0	0	0
Vice President	Lai Ru-Ding	0	0	0	0
Vice President	Tseng Ching-Cheng	0	0	0	0
Associate Manager	Wang Lung-Jin (Note 8)	0	0	0	0
Associate Manager	Li Bo-Lin	0	0	0	0
Associate Manager	Lai Tong-Sha	0	0	0	0
Associate Manager	Chang Zheng-Yong	0	0	0	0
Associate Manager	Wu Yu-Fan	0	0	9	0
Associate Manager	Wu Min-Fang	0	0	0	0
Associate Manager	Chang Wen-Jie	0	0	0	0
Associate Manager	Tang Jia-Hung	0	0	0	0
Associate Manager	Tsai Wei-Sheng	0	0	0	0
Associate Manager	Liu Ming-Gen(No te 9)	0	0	0	0
Major Shareholder	Tseng Song-Zhu	0	0	0	0

Note 1: Shareholders holding more than 10 percent of the total shares of the Company shall be designated as major shareholder and shall be listed separately.

Note 2: The following table shall be entered where the counterparty of equity transfer or pledge is a related party.

Note 3: Director Chiu Li-Qing was discharged on August 4, 2021; Director Luo Tsai-Jen assumed office on August 4, 2021.

Note 4: Ding-Hung Investment Co., Ltd. Representative Director Tsai Xua-Liang was discharged on August 4, 2021; Ding-Hung Investment Co., Ltd. Representative Director Tseng Ching-Cheng assumed office on August 4, 2021.

Note 5: Independent Director Li Zong-Ying · Chuang Wen-Jing was discharged on August 4, 2021; Independent Directors Tsai Wu-Ying and Lei Shin-Jung assumed office on August 4, 2021.

Note 6: Vice President Tsai Xua-Liang was discharged on August 27, 2021.

Note 7: Vice President Chen Cheng-Bin was discharged on October 14, 2021.

Note 8: Associate Manager Wang Lung-Jin was discharged on March 2, 2022.

Note 9: Associate Manager Liu Ming-Gen assumed office as the new Associate Manager on September 1, 2021.

(2) Information of Equity Transfers by Directors, Independent Directors, Managers and Major Shareholders: None.

(3) Information of Equity Pledge by Directors, Independent Directors, Managers and Major Shareholders: None.

ix. Relationship among the Top Ten Shareholders:

April 25, 2022 Unit: Shares

Name (Note 1)	Shares Held by the Shareholder		Number of Shares Held by Spouse or Minor Children		Shares Held under Name of Other Parties		Other Top 10 Major Shareholder(s) having a spousal relationship or 2nd Degree of Kinship, and the Title/Name and Relations. (Note 3)		Remarks
	Shares	Share holding Ratio (%)	Shares	Share holding Ratio (%)	Shares	Share holding Ratio (%)	Title (or Name)	Relations	
Tseng Song-Zhu	48,664,715	16.28	8,740,819	2.92	0	0	Tseng-Lu Min-Hua Tseng Shang-Yuan	Spouse Father-Son	
Cathay Life Insurance Co., Ltd.	16,110,414	5.39	0	0	0	0	None	None	
Chunghwa Post Co., Ltd.	10,724,100	3.59	0	0	0	0	None	None	
JPMorgan Chase Bank N.A., Taipei Branch Custodian-Schroder International Selection Fund-Asia Absolute Return Investment Account	9,909,000	3.31	0	0	0	0	None	None	
Tseng-Lu Min-Hua	8,740,819	2.92	48,664,715	16.28	0	0	Tseng Song-Zhu Tseng Shang-Yuan	Spouse Mother-Son	
Fubon Life Insurance Co., Ltd.	7,930,000	2.65	0	0	0	0	None	None	
Tseng Shang-Yuan	7,606,000	2.54	600,000	0.20	0	0	Tseng Song-Zhu Tseng-Lu Min-Hua	Father-Son Mother-Son	
Ding-Sheng Investment Co., Ltd.	7,314,925	2.45	0	0	0	0	None	None	
Chase Custodian, JPMorgan Asset Management (Taiwan) Ltd. Investment Account	6,037,545	2.02	0	0	0	0	None	None	
Tseng Song-Ling	5,692,934	1.90	0	0	0	0	None	None	

Note 1: Full list of top 10 shareholders shall be disclosed. Name of Corporate Shareholder and Name of Representative shall be listed separately where the shareholder is a corporate shareholder.

Note 2: The calculation of shareholding ratio shall be made in separation by number of shares held under own name, number of shares held by spouse or minor children, or number of shares held under the name of other parties.

Note 3: Shareholders listed above includes legal persons and natural persons, whose relationships shall be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

x. Shares held by Directors, Independent Directors, Managers, and Enterprises directly or indirectly Controlled by the Company in the Same Reinvestment Business:

March 31, 2022 Unit: Shares, %

Reinvestment Business (Note)	Investment by the Company		Investments by Directors, Independent Directors, Managers or Businesses the Company has Direct/Indirect Control Over		Comprehensive Investments	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
MERIDA BICYCLES Ltd.	481,763	81.31	0	0%	481,763	81.31
MERIDA NORGE AS	198,000	75.00	0	0%	198,000	75.00
MERIDA International (B.V.)Ltd.	42,500,000	100.00	0	0%	42,500,000	100.00
MERIDA BENELUX B.V.	766,126	60.00	0	0%	766,126	60.00
(DE) MERIDA & CENTURION GERMANY GmbH	No Outstanding Shares	51.00	0	0%	No Outstanding Shares	51.00
MERIDA POLSKA SP.ZO.O	100	74.07	0	0%	100	74.07
Specialized Bike Components, Inc.	3,409,982	35.39	0	0%	3,409,982	35.39
MERIDA SLOVAKIA S.R.O.	No Outstanding Shares	30.00	0	0%	No Outstanding Shares	30.00
MERIDA CZECH S.R.O.	No Outstanding Shares	45.00	0	0%	No Outstanding Shares	45.00
SAIL+SURF PRODUKTIONS-UND HANDELSGESELLSCHAFT M.B.H.	No Outstanding Shares	40.00	0	0%	No Outstanding Shares	40.00
MERIDA BIKES SWE S.A.	448	36.36	0	0%	448	36.36
MERIDA JAPAN CO., LTD.	1,800	90.00	0	0%	1,800	90.00
MERIDA ITALY S.R.L.	559,050	27.27	0	0%	559,050	27.27
MERIDA KOREA INC.	76,560	40.00	0	0%	76,560	40.00
WideDoctor (International) Enterprise Co., Ltd.	690,000	25.56	0	0%	690,000	25.56

Note: Long-term investments under equity method by the Company.

IV. Financing Status

i. Implementations of Capital and Shares, Corporate Bonds, Preferred Shares, Global Depository Receipts, Employee Share Subscription Warrants, Restricted Stock Awards and M&A (incl. Merger, Acquisition and Demerger)

(1) 1 Source of Share Capital:

Unit: NTD; Share

Year/ Month	Issuance Price	Authorized Share Capital		Paid-In Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Contributions with Non-Cash Properties	Others
2014.9	10	350,000,000	3,500,000,000	298,983,800	2,989,838,000	Capitalization of Retained Earnings NTD 142,373,240 Effective Date of FSC: 16 July 2014 Letter No.: 16 July 2014 Letter Financial-Supervisory-Securities-Corporate-1030027086 Effective date of MoEA: 3 September, 2014 Letter No.: 3 September 2014 MoEA-Shou-Shang-Zi-No. 10301182700	None	None

Note 1: Information for the year ending on the date of annual report publication shall be provided.

Note 2: The date and letter number of effective (approval) shall be indicated in the capital increase.

Note 3: Where shares are issued for less than par value, they shall be designated in a prominent manner.

Note 4: Where the share contribution is made by monetary claims or technologies shall be specified, and the types and amounts of the contribution shall be noted.

Note 5: Private placement shall be designated in a prominent manner.

2. Type of Share:

Unit: Shares

Type of Share	Authorized Share Capital			Remarks
	Outstanding Shares (Note)	No Outstanding Shares	Total	
Ordinary Shares	298,983,800	51,016,200	350,000,000	TWSE Listed

Note: Please indicate whether the stock is of TWSE/TPEX Listed Companies (where it is restricted to TWSE or TPEX Listed traders shall be noted).

(2) Status of Shareholders :

April 25, 2022

QTY	Status	Government Agencies	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Foreigners	Total
Shares Held		5,604,450	39,489,097	16,303,055	112,124,796	125,462,402	298,983,800
Shareholding Ratio		1.88%	13.21%	5.45%	37.50%	41.96%	100.00%

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

(3) Distribution of Equity: (Ordinary Shares)

April 25, 2022

Shareholding Bracket	Number of Shareholders	Total Shares Held	Shareholding Ratio (%)
1 to 999	21,932	1,249,687	0.42%
1,000 to 5,000	3,930	7,177,411	2.40%
5,001 to 10,000	330	2,370,803	0.79%
10,001 to 15,000	118	1,492,629	0.50%
15,001 to 20,000	79	1,446,096	0.49%
20,001 to 30,000	76	1,895,118	0.64%
30,001 to 40,000	37	1,289,244	0.43%
40,001 to 50,000	20	893,356	0.30%
50,001 to 100,000	65	4,543,002	1.52%
100,001 to 200,000	71	10,052,178	3.36%
200,001 to 400,000	64	18,865,010	6.31%
400,001 to 600,000	18	8,644,000	2.89%
600,001 to 800,000	10	6,853,453	2.29%
800,001 to 1,000,000	17	15,381,219	5.14%
1,000,001 and Over	48	216,830,594	72.52%
Total	26,815	298,983,800	100.00%

(4) List of Major Shareholders:

April 25, 2022

Name of Major Shareholders	Shares	Shares Held	Shareholding Ratio(%)
Tseng Song-Zhu		48,664,715	16.28%

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

Unit: NTD

Items		Year	2020	2021	As of March 31, 2022 (Note 8)
Market Price per Share (Note 1)	Highest		294.50	368.00	334.00
	Lowest		85.50	233.00	226.00
	Average		204.23	302.87	281.96
Net Worth per Share (Note 2)	Before Distribution		53.63	59.38	65.91
	After Distribution		46.63	Earnings Distribution for 2021 pending Resolutions by the shareholders' meeting	-
EPS (Note 3)	Number of Weighted-Average Shares		298,983,800	298,983,800	298,983,800
	EPS	Before Retrospective Adjustment	13.36	15.55	4.04
		After Retrospective Adjustment	-	-	-
Dividend per Share	Cash Dividend	Preferred Shares	-	-	-
		Ordinary Shares	NTD 7/Share	Earnings Distribution for 2021 pending Resolutions by the shareholders' meeting	-
	Bonus Share Issuance	From Earnings	-	-	-
		From Capital Surplus	-	-	-
	Cumulative Undistributed Preferred Shares Dividend (NTD Thousand, (Note 4))		-	-	-
ROI Analysis	Price-Earnings Ratio (Note 5)		15.29	19.48	-
	Price-Dividend Ratio (Note 6)		29.18	Earnings Distribution for 2021 pending Resolutions by the shareholders' meeting	-
	Dividend Yield (Note 7)		3.43%	Earnings Distribution for 2021 pending Resolutions by the shareholders' meeting	-

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

Note 1: Highest and lowest market prices of ordinary shares in each year shall be listed, and the average market prices of each year shall be calculated according to the turnover value and volume of each year.

Note 2: Please enter the column by referring to the number of shares issued at the end of the year and the distribution according to the resolution of the Board of Directors of the current year or shareholders' meeting of the following year.

- Note 3: If there is a need for retrospective adjustment due to bonus share issuance, the EPS before and after adjustment shall be listed.
- Note 4: Where it is provided in the condition of issuance for equity securities that the dividends undistributed for the said year may be cumulated and distributed at the year with earnings, the cumulative undistributed dividends up to the current year shall be disclosed separately.
- Note 5: Price-Earnings Ratio= $\text{Average Closing Price of the Year} / \text{EPS}$.
- Note 6: Price-Dividend Ratio= $\text{Average Closing Price of the Year} / \text{Cash Dividend per Share}$.
- Note 7: Dividend Yield= $\text{Cash Dividend per Share} / \text{Average Closing Price of the Year}$.
- Note 8: Net Worth per Share and EPS shall contain the data audited (checked) by the accountant in the most recent quarter up to the date of publication of the annual report; the remaining columns shall be entered in with the data of the year up to the date of annual report publication.

(6) Dividend policy and implementation status:

1. Dividends policy:

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

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

2. Proposed dividend payment by the shareholders' meeting:

The proposal for distribution of 2021 profits was proposed from 2021 total unappropriated earnings. Total number of outstanding common shares was 298,983,800. Cash dividend per share is NTD 8, rounding down to the nearest dollar, totaling NTD 2,391,870,400. Each common shareholder will be entitled to receive the cash dividends in dollar amount. The fractional parts would be turned to MERIDA Employee Welfare Committee. Subject to the approval of the General Shareholders' Meeting, the Board of Directors is authorized to determine ex-dividend and distribution date for the cash dividends.

(7) Impact of the proposed stock dividend distribution by the shareholders' meeting on business performance and earnings per share: It just proposed cash dividends at this Shareholders' Meeting and the Company does not need to prepare 2022 financial forecasts, so it is not applicable.

(8) Employees' compensation and directors & independent directors' compensation:

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

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

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

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

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

- (1) The basis of the estimate of employees' compensation and directors' compensation: According to Article 32 in the Articles of Incorporation of Merida and passed a resolution at the 2nd board meeting in 2022. In 2021, Merida's income before tax was NTD 6,445,001,337 before deducting the employees' compensation and directors' compensation. The employees' compensation was distributed by 6% of the above amount, totaling NTD 386,700,080, and the directors' compensation was distributed by 2.6% of the above amount, totaling NTD 167,570,035, which has been distributed in full in cash.
- (2) The basis of calculating number of shares where Stock compensation are Paid: 2021 employees' compensation has been estimated in full in cash, so it is not applicable.
- (3) Accounting treatment in case of deviation between the amount of actual payment and the estimate: After the fiscal year end, if the compensation amount changes materially prior to the official release of the annual independent financial report approved by the Board of Director, the changes shall be adjusted as part of the previous fiscal year. Else if the remuneration amount changes materially after the official release of the annual independent financial report, the changes shall be adjusted as part of the current fiscal year.

3. 2021 compensation approved in the Board of Directors meeting:

- (1) Employees' compensation and directors' & independent directors' compensation in the form of cash or stock:
 - A) Employees' compensation: NTD 386,700,080.
 - B) Directors' compensation: NTD 167,570,035.
 - C) Distributed in full in cash.
- (2) The amount of any employee compensation distributed in stocks; and the size of this amount as a percentage of the net income stated in the independent financial reports or Independent financial reports for the current period; and the size of this amount as a percentage of the total employee compensation : 2021 employees' compensation approved in the Board of Directors Meeting has been distributed in full in cash, so it is not applicable.

4. 2020 actual distribution of employees' and directors' & independent directors' compensation (including number of shares, monetary amount, and stock price):

- (1) Employees' compensation: NTD 330,271,987, distributed in full in cash.
- (2) Directors' & independent directors' compensation: NTD 143,117,861.
- (3) The actual amounts of employees' compensation and directors' & independent directors' compensation were paid the same with the amounts recognized in the financial statements.

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

(10) Handling of corporate bonds: None.

(11) Handling of special stock: None.

(12) Handling of GDR: None.

(13) Handling of employee stock option certificates: None.

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

ii. Capital Utilization Plans and their Implementations

As of March 31, 2022, the implementation of the previous issuance or private placement of securities has not been completed or completed in the last three years, and the planned benefits have not yet been shown: None.

V. Operational Overview

i. Scope of Business

1. Business scope:

(1).Business engagement:

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

(2).Main products and business proportion:

Items	Rate (%)
Complete bikes	91.39%
Bicycle frame and components	8.61%

(3).New Products Under Project Development:

(1) Electrical Urban Bicycle [eSPRESSO URBAN]

“Electrical Urban Bicycle” eSPRESSO URBAN incorporates a miniature and compact rear hub drive motor plus built-in battery completely concealed and fixed in the down tube of the frame; eSPRESSO URBAN contains the characteristics of light and convenient and the aesthetics from simplicity in design due to its special head parts and fully concealed cable routing in the head tube that yields a simpler and more refined silhouette as well as an appearance not different from a generic urban model; with power assist function, eSPRESSO URBAN makes it easy to traverse every corner of the city or the wilderness with ease no matter it’s daily commuting and shopping on weekdays or travel on the holidays.

This model adopts the integrated system incorporating electric hub motor (MAHLE X35+) demonstrating performance in compliance with regulations and standards of EU as well as various countries and an auxiliary speed reaching 25km/h. The motor outputs smooth auxiliary power under a quiet and stable operation, meanwhile creating a pedaling experience smooth as classic models thanks to the reduced overall weight; its larger low-span space makes it easier for riders to get on/off the bike, making it suitable

for riding by more audiences.

(2) Ultra-light Deluxe Road Bike [SCULTURA V]

"Ultra-light Deluxe Road Bike" is an aerodynamic high-performance road bike with high lateral stiffness, longitudinal comfort and low drag coefficient, which can provide riders with the needs of precise cornering under intense control, stability high-speed downhill ride and high-efficiency pedaling power, combined with the optimized frame geometry design enabling riders to a more comfortable riding in long-distance races where every second counts. In addition, its low drag aerodynamics performance yields good power output and control besides ride comfort, fully meeting the riding needs of consumers.

SCULTURA V additionally features the design of an ultra-lightweight frame made of the lightweight yet tough high-modulus carbon fiber composite material. With high-standard integrated handlebars and handlebar stems, the outer tubes are all hidden inside the body to create an extremely simple and meticulous appearance, exuding a dynamic racing vibe; in addition, the hidden seat post clamp design serves more than optimizing the appearance of the frame, as it also significantly improves aerodynamic performance. Hence, the "Ultra-light Deluxe Road Bike" is not only suitable for professional World Tour competitions, but also for riders in pursuit for speed and in favor of long-distance journeys.

2. Industry Overview:

1. Correlation Among Upstream, Midstream, and Downstream of the Industry:

- (1) Upstream/Raw Materials: Iron, Aluminum, Carbon Fiber Filament, etc.
- (2) Midstream/including Structure System, Handling System, Suspension System, Braking System, etc.: Frame, Front Fork, Handlebar, Hub, Tire, Brake, Derailleur, and Other Parts and Components.
- (3) Downstream/Entire Bicycle: Bicycle & Parts Assembly, Sales, and After-Sale Service to Consumers.

2. Product Competitions:

With retrospect to the year 2021, the overall export scale of Taiwan's bicycle industry for both e-bikes and classic bikes showed significant growth as well as spectacular level albeit under the disequilibrium of supply and demand in global industrial chains due to sustained interference by various post-pandemic variables of COVID-19; such phenomena can be attributed to the remained popularity in the sales of global bike and e-bike market in the post-pandemic era as well as the downward amendment to channel inventory level in urgent need of replenishing. Therefore, there is still a strong demand for mid-to-high-end bikes and e-bikes in the industry chain, and in the meantime, the sign of drastically extended lead time even under incremented material supply from upstream may indicate the prosperity of sales in subsequent periods may last long.

3. Technology and R&D Overview:

1. Contribution to R&D in the Most Recent Year and as of the Date of Annual Report Publication:

Unit: NTD

2021	As of March 31, 2022
63,098,986	19,445,520

2. Successfully Developed Technology or Product:

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

4. Long-and-Short-Term Business Development Plans:

1. Short-Term Plans:

It is expected that the demand for high-end bikes in China will remain positive and stable in 2022, while the demand for medium- and high-end bikes and e-bikes in the European and American markets will increase significantly. The Company’s broad brands are keen to replenishment and new demand for bikes and e-bikes; meanwhile, to respond to the increase in new orders around the year, the Group adjusts manpower and production lines, expands contract manufacturing, and conducts intense follow-ups on the supply of materials to increase the total production capacity.

2. Mid-to-Long-Term Plans:

In the assessment on the demand scale and the trend of growth and decline in the global bike market for medium and high-end bikes (including high-end road bikes, mountain bikes, urban recreation models, e-bike, etc.) in the next 5 to 10 years, the Group's brands under broad recognition will maintain its correspondence to the needs of the middle and high-end market, and will timely adjust the development, manufacturing and sales services of all bike series, and at the same time, we are looking for opportunities to increase the investment in brands and channels in emerging markets, so as to maintain the market share in the global high-end bike market and obtain stable growth in profits.

ii. Market and Production & Promotion Overview

1. Market Analysis:

(1) Information of sales in different regions:

Regions	Ratio (%)
Europe	52.19%
America	28.15%
Others	19.66%

(2) Market share:

Compared with the data of Taiwan Bicycle Association (TBA), the amount and value of bicycles exported by the Company's Taiwan factory in 2021 accounted for 24% and 32% of the total exports of Taiwan's bicycle industry. In addition, in 2021, the amount and value of e-bikes exported by the Company (Taiwan factory) accounted for 26% and 33% of the total exports of Taiwan's e-bicycle industry. The amount and value of e-bikes exported by the Company (Taiwan factory) accounted for 35% and 51% of the total amount and value of the Company’s (Taiwan factory) annual sales (including bicycles).

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

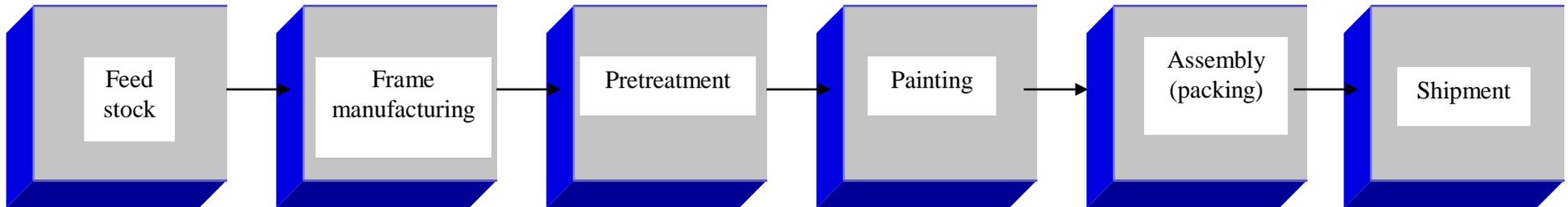
- 1) Since the sales of recreational bicycles are susceptible to weather, the sales price is related to the purchasing power of consumers and the degree of market maturity (saturation). Mature markets (such as Europe and the United States) provide the annual growth momentum of about 0 to 10% for high consumption, price and volume respectively. Emerging markets (such as mainland China, Latin America, Asia, Africa, New Zealand, Australia and eastern Europe, etc.) continue to have relatively large growth in the overall economy and national income, improve living standards and purchasing power. In terms of the demand for medium and high-end bicycles and e-bikes, these countries started late and the market share is low. It is expected that in the next few years under reasonable supply and demand conditions, there is still room for price and volume growth.
- 2) Under the influence of market demand growth and high competition in industry, the Company adheres to its own brand and products in broad sense, pays attention to the positioning of the global middle and high-grade bicycle market, keeps developing and innovating constantly, maintains a good product life cycle, with the best product strength and sports marketing endorsement, promotes brand and product image, ensuring that the Company could become one of the main suppliers of high-end bicycles and high-end e-bikes in the global market, as well as the first brand of high-end (variable speed) bicycles in the mainland market.

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

- 1) Advantages and countermeasures: Due to long-term adherence to the brand production and marketing policy focusing on the global middle and high-grade bicycle market, from product development, production, distribution and sales channels, the global market has a clear positioning, and its multi-brands in the major markets are supported and affirmed by consumers, and enjoy a certain degree of popularity and market share; Based on this good and stable foundation, we will strive to create demand, guide the innovation of popular product research and development, as well as the improvement of production management and technology, and continue to expand brand marketing services, production capacity and channel layout in order to pursue sustainable growth.
- 2) Disadvantages and countermeasures: global weather, political, economic and environmental uncertainties (such as COVID 19...), as well as unfriendly intra-industry competition (such as counterfeiting, export by changing the origin, price destruction) and other factors, imply the threat of product, supply & demand, and market marketing, while the volatility of exchange rates of major international currencies (such as the US dollar against the Japanese currency, the Taiwanese dollar, etc.) also poses uncertain risks and impacts on costs and returns. When identifying the unfavorable factors affecting production, marketing and profitability, the operating departments of the Company (Group) should integrate the resources and supply chains of the Group's factories and the partners of the strategic alliances' brands and channels, actively anticipate and evade them, so as to effectively utilize resources, opportunities, transform risks and threats, and create maximum operating benefits.

2. Production Procedures of Main Products:

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



3. Supply of major raw materials:

Major raw materials	Source of supply	Supply condition
Frame assembly	Foreign and domestic manufacturers	Good
Front fork components	Foreign and domestic manufacturers	Good
Motor components of E-BIKES	Foreign and domestic manufacturers	Good
Brake components	Foreign and domestic manufacturers	Good
Transmission assembly	Foreign and domestic manufacturers	Good
Battery	Foreign and domestic manufacturers	Good
Tire material	Foreign and domestic manufacturers	Good
Hubs	Foreign and domestic manufacturers	Good
Shock absorber components	Foreign and domestic manufacturers	Good
Chainwheelsand crank arms	Foreign and domestic manufacturers	Good

4. Vendors (Customers) Accounting for 10% or More of the Company's Total Purchase (Sale) in the Most Recent Two Years:

Information of Major Suppliers in the Most Recent Two Years

Unit: NTD Thousands

Items	2020				2021				2022 as of the Preceding Quarter (Note 2)			
	Name	Amount	Proportion to Annual Net Purchase (%)	Relation to Issuer	Name	Amount	Proportion to Annual Net Purchase (%)	Relation to Issuer	Name	Amount	Proportion to the Net Purchase at Current Year as of the Preceding Quarter (%)	Relation to Issuer
1	M3001	3,808,867	17.60	Non-Related Party	M3002	3,709,515	14.34	Non-Related Party	M3002	1,527,939	21.58	Non-Related Party
2	M3002	2,392,828	11.06	Non-Related Party	M3001	3,375,510	13.05	Non-Related Party				
3	Others	15,438,083	71.34	-	Others	18,000,997	72.61	-	Others	5,553,846	78.42	-
	Net Purchase	21,639,778	100.00		Net Purchase	25,860,022	100.00		Net Purchase	7,081,785	100.00	

Note 1: Names of suppliers and the amount and proportion of their purchases over 10% of the total purchases in the most recent two years shall be listed. However, where the name of supplier may not be disclosed due to covenants or where the transaction counterparty is an individual which is not a non-related party, the disclosure can be made in codes in lieu of names.

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

Information of Major Clients in the Most Recent Two Years

Unit: NTD Thousands

Items	2020				2021				2022 as of the Preceding Quarter (Note 2)			
	Name	Amount	Proportion to Annual Net Sales (%)	Relation to Issuer	Name	Amount	Proportion to Annual Net Sales(%)	Relation to Issuer	Name	Amount	Proportion to the Net Sales at Current Year as of the Preceding Quarter (%)	Relation to Issuer
1	0301	15,935,708	58.86	Invested Company Valued in Equity	0301	18,248,521	62.09	Invested Company Valued in Equity	0301	5,673,300	69.56	Invested Company Valued in Equity
2	Other	11,136,634	41.14	-	Other	11,142,662	37.91	-	Other	2,482,642	30.44	-
	Net Sales	27,072,342	100.00		Net Sales	29,391,183	100.00		Net Sales	8,155,942	100.00	

Note 1: Names of clients and the amount and proportion of their sales over 10% of the total sales in the most recent two years shall be listed. However, where the name of client may not be disclosed due to covenants or where the transaction counterparty is an individual which is not a non-related party, the disclosure can be made in codes in lieu of names.

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

5. Production in the Most Recent Two Years:

Unit: Units/NTD Thousands

Year Main Product	2020			2021		
	Capacity	Production Volume	Output	Capacity	Production Volume	Output
Bike	1,940,000	727,393	9,808,249	1,940,000	809,114	10,910,825
E-bike		232,829	9,761,524		256,410	11,203,047
Frame & Parts and Components	-	-	791,485	-	-	1,116,252
Total	1,940,000	960,222	20,361,258	1,940,000	1,065,524	23,230,124

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

Note 2: If the production of each product is substitutable, the production capacity may be calculated altogether, with notes appended for descriptions.

(6) Shipments and Sales in the Most Recent Two Years

Unit: Units/NTD Thousands

Sales Volume Major Products (Sectors)	Year	2020				2021			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Production Volume	Output	Production Volume	Output	Production Volume	Output	Production Volume	Output
Bike		19,218	163,911	821,325	14,543,776	19,935	179,007	861,572	14,805,252
e-Bike		738	53,083	227,852	10,475,526	633	39,679	253,717	12,075,360
Frame & Parts and Components		-	27,482	-	2,040,683	-	21,965	-	2,511,226
Service Revenue		-	1,512	-	3,434	-	2,078	-	0
Return and Discount of Sales		-	(4,954)	-	(232,111)	-	(4,149)	-	(239,235)
Total		19,956	241,034	1,049,177	26,831,308	20,568	238,580	1,115,289	29,152,603

iii. Human Resources

Year		2020	2021	April 30 th , 2022
No. of Employees	Supervisor	171	167	167
	Staff	705	692	700
	Employee	1,796	1,877	2,044
	Total	2,672	2,736	2,911
Average Age		40	40	40
Average Years of Service		9.51	9.86	9.60
Distribution of Academic Qualifications %	PhD	0	0	0
	Master	3%	3%	3%
	University/College/Junior College	24%	24%	23%
	Senior High	38%	37%	35%
	Below Senior High	35%	36%	39%

iv. Environmental Protection Expenditure

1. As of the most recent year and the date of publication of the annual report, the losses suffered due to the pollution of the environment (including compensation and environmental protection audit results that violate environmental laws and regulations, the date of punishment, the number of the official document, the related provisions, the content of the laws and regulations, and the punishment), as well as the current and future estimated amounts and the disclosure of the corresponding measures, further explanation should be made if the amounts cannot be reasonably estimated: None.
2. Future countermeasures and possible expenditures:
 - (1) The Company aims at environmental protection, zero pollution and workplace safety, zero disaster. It replaces high pollution with low pollution for raw materials in each process, complies with environmental laws and regulations, and applies for environmental protection permits to ensure compliance with environmental emission standards and reduce environmental pollution. Improve machinery, equipment, and environmental safety to ensure labor safety and prevent injury and illness.
 - (2) Environmental protection and health enforcement measures are as follows:
 - 1) The new staff carries out education and training on environmental protection, safety, and health, to promote the safety concept and environmental protection and clean production awareness.
 - 2) Continuous pursuit of high efficiency of wastewater treatment and improvement of the quality of effluent water, the establishment of source control raw material records, application system for process discharge, the use of waste liquid as adjusting agent for wastewater treatment plant, and the reduction of wastewater reagent use.
 - 3) Set up special areas for resource recovery, improve waste storage sites, implement garbage classification, and reduce waste production.
 - 4) Regular implementation of environmental protection testing, industrial and safety monitoring, annual regular outsourcing testing of water quality (discharge water, drinking water), waste gas, monitoring of operating area noise, dust, and organic solvents.
 - 5) The Occupational Safety and Health Management Committee shall be convened regularly every three months to review the automatic inspection and safety and health audit, the preventive measures against the hazards of machinery, equipment or raw materials, materials, the occupational disaster investigation report, health management, occupational disease prevention and health promotion and other related operation.
 - 6) Specialized departments of environmental protection and occupational safety and health:

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

- 7) In response to environmental protection, energy conservation and carbon reduction, a number of energy conservation policies. All newly added and replaced lamps are replaced with energy-saving LED lamps. Frequency conversion and energy saving is the priority when purchasing air conditioners, and the mechanism to control the indoor temperature up to 28°C when using air conditioners. The newly added air compressor is converted to variable frequency energy saving type, and the operators check the leakage of the equipment every day. Change the dry dust collector to wet dust collector, reduce particulate emissions.
- 8) Greenhouse gas inventory: The Company is not an industry in which the EPA announces annual greenhouse gas emissions of 25,000 metric tons of carbon dioxide equivalent.

3. Energy saving and environmental protection policies:

- (1) Bicycle parking is set up in the factory to encourage employees to commute to work by bicycle instead of motorcycle.
- (2) Bicycle products are certified by carbon footprint, and carbon labels are used to convey the information of the product's carbon footprint to consumers, providing reference for purchase, encouraging changes in consumption behavior and lifestyle, and making joint efforts to reduce vehicle emissions.
- (3) Electronic production process instructions encourage staff to print less, use double-sided or multi-page printing function, set up paper recycling bins beside photocopiers to reduce the impact of paper consumption on trees and ecology.
- (4) For many years in a row, we have organized large-scale bicycle riding activities to promote the most energy saving, carbon reduction and environmental protection bicycle activities, and encouraged the use of bicycles as a means of short-range transportation.
- (5) In combination with the concept of environmental protection, we have been cultivating children's interest and hobby in bicycles since childhood. We have organized a bicycle DIY summer camp to provide them with more professional bicycle knowledge.
- (6) The "Air Quality Purification Zone" in Changhua County covers an area of 2.62 hectares. It maintains, manages, plants, and cleans the whole environment. It absorbs polluted gases through the physiological characteristics of plants, reduces dust and suspended particulates, purifies air quality, and fulfills corporate social responsibilities and obligations.
- (7) The boiler will be changed from heavy oil to liquefied petroleum gas. The items of air pollution prevention and control are nitrogen oxides (NO_x) and sulfur oxides (SO_x). The total amount of pollution emissions throughout the year is zero tons to avoid environmental impacts around the plant.
- (8) Recyclable scraps of iron, aluminum, plastic, and paper are sorted and placed in a centralized manner, and outsourced for regular waste collection. The total weight of recyclable waste in 2021 is 1,812 metric tons. In addition, the total weight of waste in 2021 is 297 metric tons, a decrease of 1.0% compared with the average in the previous two years.
- (9) The total wastewater discharge in 2021 was 66,952 cubic meters, a decrease of 3.2% compared to the average discharge of 69,125 cubic meters in the previous two years.
- (10) The volume of water consumption in 2021 was 118,641 cubic meters, meanwhile, the volume of water consumption was 115,918 cubic meters.

v. Labor Relations

1. Employee Welfare Measures, Training, Retirement System, Labor Agreements, Measures and Implementation of Employee Rights and Interests:

(1) Employee welfare measures

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

(2) Education and training

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

(3) Retirement system and implementation:

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

the provisions of the methods for the custody and utilization of the income and expenditure of the Labor Retirement Fund.

- 3) The Company shall, before the end of each year, estimate the retirement amount of the employees under the retirement conditions specified in Article 53 or item 1 of paragraph 1 of Article 54 of the Labor Standards Act within the next year, and fully allocate the pension by the end of the following march.
- 4) In addition, the Company shall, in accordance with the regulations on employee retirement, set aside 4% of the salary of appointed managers for the pension of employees each month.
- 5) With respect to MERIDA's reinvestment businesses, MERIDA & CENTURION GERMANY GmbH, MERIDA BENELUX B.V., MERIDA POLSKA SP.ZO.O, MERIDA BICYCLES Ltd., MERIDA NORGE AS and MERIDA JAPAN CO., LTD. have not adopted their regulations governing retirements, with payments of pensions and various insurance premiums pursuant to local laws and regulations. MERIDA Bicycle (CHINA) Co., Ltd., MERIDA Bicycle (Shandong) Co., Ltd. and MERIDA Bicycle (Jiangsu) Co., Ltd. contribute endowment insurance premiums for its local employees on a monthly basis pursuant to local government regulations and entrust the agencies of authority in respective local governments for overall arrangement and payment of pensions for retired employees, which are both defined contribution plans. MERIDA International (B.V.I)Ltd., MERIDA Industry (H.K.) Co. Ltd. and MERIDA International (SAMOA) Ltd. are holdings companies, hence regulations and systems with respect to retirement are not necessary.

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

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

- 1) Establish corporate Labor Union to safeguard the rights and interests of employees.
 - 2) Conduct labor-management conferences in accordance with relevant regulations to reinforce the relations between employees and employers.
 - 3) In accordance with the Labor Standard Act, Employment Service Act, Gender Equality in Work Act, Sexual Harassment Prevention Act and related decrees, the Company's "Rules of Work" are formulated and submitted to the competent authorities for approval and implementation, so as to implement the guidelines for the rights and obligations of both employers and employees. Formulate relevant management regulations, such as "Measures for Labor Retirement Management", "Measures for Staff Retirement Management", "Measures for Prevention and Treatment of Sexual Harassment in the Workplace", "Measures for Complaints and Punishment Management" to safeguard employees' rights and interests.
2. Losses due to labor disputes in recent years and up to the date of publication of annual reports: None.
 3. Current and potential future losses from labor disputes: None.

vi. Information and Communications Security Management:

(1) Information and Communications Security Management Strategies and Structure

To ensure the confidentiality of the Company's trade secrets and compliance with the Personal Data Protection Act, the Company continues to strengthen information security protection capabilities and perform overall information security awareness facilitation from personnel to the organization in order to comply with domestic and foreign information security laws and regulations.

(1) Information Security Organization

The Company has appointed the Supervisor of the President's Office to concurrently serve as Chief Information Security Officer

Supervising over Units:

- 1) Information Security Audit Unit
- 2) Information Security Control Unit
- 3) Information Security Management Unit

Information Security Personnel: network management personnel who are mainly responsible for information security setting and control operations.

Roles of Units under Supervision:

Information Security Audit Unit: performing information security audit in accordance with internal control and internal audit requirements.

Information Security Control Unit: performing information security software/hardware configurations and settings in accordance with regulations and requirements by the business.

Information Security Management Unit: management over departmental operations to ensure compliance with information security requirements by the business.

(2) Key Information Security Points

1. Disaster Prevention

1-1 Earthquake: tilting prevention and fixation as required in installation of equipment.

1-2 Electricity: power supply shall be furnished to shut down equipment on a timely manner and protect the containing data.

1-3 Fireproofing: provision of necessary fireproofing and fire extinguishing gears.

1-4 Data: Offsite Backup.

2. Anti-Virus

Installation of antivirus software, and regular update of software version and virus signature.

3. Theft Proof

Necessary access control equipment and personnel access management; data encryption and user management.

4. Anti-Hacking

Installation of necessary software/hardware and timely updates thereof.

(3) Information and Communications Security Policies-Enterprise Information Security Management Strategies and Structure (PDCA)

1. “Plan” with emphasis on information security risks management

Establishing an Information Security Management System (ISMS) to reduce information security threats to business from the system, technical and procedural aspects, furthermore establishing confidential information protection services in compliance with customer needs.

2. “Do” for constructing multi-layer information security protection

Ongoing introduction of innovative technologies for information security defense, integration and internalization of the information security control mechanism into the daily software and hardware maintenance and operation procedures, and monitoring of information security to maintain the confidentiality, integrity and availability of the Company's important assets.

3. “Check” with proactive monitoring over effects of information security management

Conduct of information security index analysis and information security maturity examinations based on the check results.

4. “Action” with the essence of reviews and ongoing improvement

Implementation of supervision and audit to ensure the sustained effects of information security regulations; in events of employees violation against relevant specifications and procedures, the employee will be subject to dispositions in accordance with the handling procedure for information security violations as well as disciplinary actions with respect to human resources (including employees' performance appraisal for the year or necessary legal actions); in addition, the Company regularly reviews and implements rectifying conducts including information security measures, education and training in accordance with performance indicators and maturity examination results to ensure the non-leakage of the Company's confidential information.

(4) Specific Management Plans

1. Information Security Protection

1-1 Network Security:

Blocking attacks on the data center as well as various cyberattacks; setting up spam filtering and isolation mechanisms to prevent the receipt of virus-entrained emails; strengthening network firewalls and network control to avoid viruses spread.

1-2 Device Security:

The machine must be scanned for viruses during installation; endpoint anti-virus measures shall be set according to the machine type.

1-3 Application Security:

Information security shall be reviewed in application development, with follow-up strengthening of such security after the application has been released.

1-4 Strengthened Information Security Protection Technology:

Strengthening the classification and protection of confidential information; introduction of new technologies, and optimization of the management and control of documents and files.

2. Review and Improvement-Employee Training and Advocacy

Strengthening employees' vigilance against malicious attacks on emails, software, files, etc., and enhancing employees' awareness over information security.

3. Information Security Effects-Check and Audit

Regular inventory of software and hardware and audits on devices of user end; control procedures and technical improvements must be reviewed in the rise of material exceptions.

(2) Material Information and Communications Security Events

There was no material information and communications security events in 2021.

vii. Important Contracts:

Nature of Contracts	Parties Concerned	Starting/Ending Date of Contract	Main contents	Restrictive Terms
Cycling Team Sponsorship contract	BWTCT Bahrain WorldTour Cycling Team S.P.C.	2020.01.01 ∫ 2022.12.31	Sponsorship for professional cycling team Team Bahrain -McLaren whose name has changed from 2021 to Team Bahrain -Victorious	None

VI. Finance Overview

i. Condensed Financial Information in the Most Recent Five Years:

(1) 1. Condensed Balance Sheet-IFRS [Consolidated Financial Report]

Unit: NTD Thousands

Items \ Year	Financial Information for the Most Recent Five Years (Note 1)					Financial Information Reviewed by Accountants as of March 31, 2022 (Note 3)	
	2017	2018	2019	2020	2021		
Current Assets	\$9,037,790	\$10,135,851	\$11,758,571	\$12,588,937	15,022,093	\$18,013,196	
Property, Plant, and Equipment (Note 2)	2,515,796	2,342,984	2,400,791	2,685,572	2,489,995	2,549,924	
Intangible Assets	39,411	40,685	45,307	56,399	48,599	86,482	
Other Assets (Note 2)	9,352,549	10,258,587	11,476,121	14,351,569	17,948,262	19,428,043	
Total Asset	20,945,546	22,778,107	25,680,790	29,682,477	35,508,949	40,077,645	
Current Liabilities	Before Distribution	6,549,326	6,740,593	7,814,104	8,252,813	11,347,439	13,580,882
	After Distribution	7,147,294	7,787,036	9,069,836	10,345,700	Note 4	Note 4
Non-Current Liabilities	2,314,846	2,760,497	3,462,826	4,649,077	5,589,786	5,934,919	
Total Liabilities	Before Distribution	8,864,172	9,501,090	11,276,930	12,901,890	16,937,225	19,515,801
	After Distribution	9,462,140	10,547,533	12,532,662	14,994,777	Note 4	Note 4
Equity Attributable to Owners of Parent	11,585,175	12,752,176	13,778,685	16,034,136	17,755,250	19,707,459	
Share Capital	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	
Capital Surplus	416,548	416,548	416,290	416,290	416,290	416,290	
Retained Earnings	Before Distribution	8,986,413	10,115,280	11,535,606	14,302,371	16,813,908	18,021,061
	After Distribution	8,388,445	9,068,837	10,279,874	12,209,484	Note 4	Note 4
Other Equities	(807,624)	(769,490)	(1,163,049)	(1,674,363)	(2,464,786)	(1,719,730)	
Treasury Shares	-	-	-	-	-	-	
Non-Controlling Interests	496,199	524,841	625,175	746,451	816,474	854,385	
Total Equities	Before Distribution	12,081,374	13,277,017	14,403,860	16,780,587	18,571,724	20,561,844
	After Distribution	11,483,406	12,230,574	13,148,128	14,687,700	Note 4	Note 4

*Where the Company has prepared a standalone financial report, condensed balance sheets and composite income sheet for the most recent five years shall be prepared otherwise.

*In events which fewer than five years of IFRS-recognized financial information have been applied, the financial information applying the AIS shall be prepared otherwise in the following table: Not Applicable.

Note 1: Year(s) with financial information not audited and attested by an accountant shall be specified.

Note 2: For assets revaluation in the current year, the date of such revaluation and the increase in appreciation shall be indicated.

Note 3: For a listed company or a company with securities traded on the Taipei Exchange, the most recent quarterly financial information which has been audited or attested by the accountant prior to the date of the annual report publication shall be disclosed.

Note 4: Please enter the figures under After Distribution above according to the resolution of the Board of Directors of the current year or shareholders' meeting of the following year.

Note 5: Where financial data are notified by the competent authority to be corrected or recompiled, the corrected or recompiled figures shall be listed, with the status and reasons thereof noted.

(1) 2. Condensed Balance Sheet-IFRS [Standalone Financial Report]

Unit: NTD Thousands

Items	Year	Financial Information for the Most Recent Five Years				
		2017	2018	2019	2020	2021
Current Assets		\$5,247,900	\$6,323,065	\$7,560,707	\$7,894,006	9,772,054
Property, Plant, and Equipment		1,058,757	1,033,651	1,013,022	1,003,876	971,424
Intangible Assets		-	-	-	13,390	13,202
Other Assets		12,417,829	13,235,730	14,166,555	17,559,645	21,284,144
Total Asset		18,724,486	20,592,446	22,740,284	26,470,917	32,040,824
Current Liabilities	Before Distribution	5,003,694	5,142,976	5,971,976	6,837,042	9,735,808
	After Distribution	5,601,662	6,189,419	7,227,708	8,929,929	Note 2
Non-Current Liabilities		2,135,617	2,697,294	2,989,623	3,599,739	4,549,766
Total Liabilities	Before Distribution	7,139,311	7,840,270	8,961,599	10,436,781	14,285,574
	After Distribution	7,737,279	8,886,713	10,217,331	12,529,668	Note 2
Equity Attributable to Owners of Parent		11,585,175	12,752,176	13,778,685	16,034,136	17,755,250
Share Capital		2,989,838	2,989,838	2,989,838	2,989,838	2,989,838
Capital Surplus		416,548	416,548	416,290	416,290	416,290
Retained Earnings	Before Distribution	8,986,413	10,115,280	11,535,606	14,302,371	16,813,908
	After Distribution	8,388,445	9,068,837	10,279,874	12,209,484	Note 2
Other Equities		(807,624)	(769,490)	(1,163,049)	(1,674,363)	(2,464,786)
Treasury Shares		-	-	-	-	-
Non-Controlling Interests		-	-	-	-	-
Total Equities	Before Distribution	11,585,175	12,752,176	13,778,685	16,034,136	17,755,250
	After Distribution	10,987,207	11,705,733	12,522,953	13,941,249	Note 2

Note 1: Financial data in period 2017~2021 have already been audited and attested by accountants.

Note 2: For figures in the abovementioned After Distribution sections, please provide based on resolutions by Board of Directors of the current year or the shareholders' meeting of the upcoming year.

(2) 1. Condensed Consolidated Income Statement-IFRS [Consolidated Financial Report]

Unit: NTD Thousands, except for EPS in NTD

Year Items	Financial Information for the Most Recent Five Years					Financial Information Reviewed by Accountants as of March 31, 2022
	2017	2018	2019	2020	2021	
Operating Revenue	\$22,396,174	\$25,852,942	\$28,243,214	\$27,072,342	\$29,391,183	\$8,155,942
Realized Gross Profit	2,762,630	3,218,229	3,736,328	4,065,749	3,900,120	1,158,691
Profit (Loss) from Operations	1,028,826	1,351,280	1,710,826	1,884,222	1,589,376	561,975
Non-Operating Income and Expenses	7,248	1,270,375	1,492,854	3,356,595	4,615,377	1,008,538
Pre-Tax Income	1,036,074	2,621,655	3,203,680	5,240,817	6,204,753	1,570,513
Current Net Income from Continuing Operations	798,474	1,745,837	2,500,984	4,112,147	4,788,170	1,228,044
Loss from Discontinued Operations	-	-	-	-	-	-
Current Net Income (Loss)	798,474	1,745,837	2,500,984	4,112,147	4,788,170	1,228,044
Other Current Comprehensive Income (Net after Tax)	(598,190)	47,774	(435,584)	(461,204)	(904,146)	762,076
Total of Current Comprehensive Income	200,284	1,793,611	2,065,400	3,650,943	3,884,024	1,990,120
Net Income Attributable to Owners of Parent	797,361	1,708,835	2,502,443	3,993,317	4,649,502	1,207,153
Net Income Attributable to Non-Controlling Interests	1,113	37,002	(1,459)	118,830	138,668	20,891
Total Comprehensive Income Attributable to Owners of Parent	195,031	1,764,969	2,093,046	3,511,692	3,814,001	1,952,209
Total Comprehensive Income Attributable to Non-Controlling Interests	5,253	28,642	(27,646)	139,251	70,023	37,911
EPS	2.67	5.72	8.37	13.36	15.55	4.04

*Where the Company has prepared a standalone financial report, condensed balance sheets and composite income sheet for the most recent five years shall be prepared otherwise.

*In events which fewer than five years of IFRS-recognized financial information have been applied, the financial information applying the AIS shall be prepared otherwise in the following table: Not Applicable.

Note 1: Year(s) with financial information not audited and attested by an accountant shall be specified.

Note 2: For a listed company or a company with securities traded on the Taipei Exchange, the most recent quarterly financial information which has been audited or attested by the accountant prior to the date of the annual report publication shall be disclosed.

Note 3: Loss from Discontinued Operations shall be listed by net value after deducting income tax.

Note 4: Where financial data are notified by the competent authority to be corrected or recompiled, the corrected or recompiled figures shall be listed, with the status and reasons thereof noted.

(2) 2. Condensed Consolidated Income Statement-IFRS [Standalone Financial Report]

Unit: NTD Thousands, except for EPS in NTD

Items \ Years	Financial Information for the Most Recent Five Years				
	2017	2018	2019	2020	2021
Operating Revenue	\$18,213,043	\$22,795,595	\$25,004,210	\$20,229,413	\$23,434,868
Realized Gross Profit	1,825,250	2,123,202	2,582,969	2,254,665	1,923,662
Profit (Loss) from Operations	1,091,243	1,310,589	1,748,716	1,394,419	975,942
Non-Operating Income and Expenses	(102,340)	1,241,457	1,424,671	3,636,725	4,914,788
Pre-Tax Income	988,903	2,552,046	3,173,387	5,031,144	5,890,730
Current Net Income from Continuing Operations	797,361	1,708,835	2,502,443	3,993,317	4,649,502
Loss from Discontinued Operations	-	-	-	-	-
Current Net Income (Loss)	797,361	1,708,835	2,502,443	3,993,317	4,649,502
Other Current Comprehensive Income (Net after Tax)	(602,330)	56,134	(409,397)	(481,625)	(835,501)
Total of Current Comprehensive Income	195,031	1,764,969	2,093,046	3,511,692	3,814,001
Net Income Attributable to Owners of Parent	797,361	1,708,835	2,502,443	3,993,317	4,649,502
Net Income Attributable to Non-Controlling Interests	-	-	-	-	-
Total Comprehensive Income Attributable to Owners of Parent	195,031	1,764,969	2,093,046	3,511,692	3,814,001
Total Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-
EPS	2.67	5.72	8.37	13.36	15.55

Note: Financial data in period 2017~2021 have already been audited and attested by accountants.

(3) Name of CPA and Audit Opinion in the Most Recent Five Years

Year	Name of CPA Firm	CPA	Audit Opinion
2017	Deloitte & Touche	Chiang Shu-Chin, Wu Li-Dong	Unqualified Opinion with the paragraphs of other matter
2018	Deloitte & Touche	Chiang Shu-Chin, Wu Li-Dong	Unqualified Opinion with the paragraphs of other matter
2019	Deloitte & Touche	Chiang Shu-Chin, Tseng Done-Yuin	Unqualified Opinion with the paragraphs of other matter
2020	Deloitte & Touche	Chiang Shu-Chin, Tseng Done-Yuin	Unqualified Opinion with the paragraphs of other matter
2021	Deloitte & Touche	Chiang Shu-Chin, Tseng Done-Yuin	Unqualified Opinion with the paragraphs of other matter
Q1 2022	Deloitte & Touche	Chiang Shu-Chin, Tseng Done-Yuin	Review report of qualified conclusions

ii. Financial Analysis in the Most Recent Five Years:

(1) 1. Financial Analysis-IFRS [Consolidated Financial Report]

Items		Year	Financial Information for the Most Recent Five Years					Financial Data as of March 31, 2022 (Note 1)
			2017	2018	2019	2020	2021	
Financial Structure	Debt-to-Asset Ratio		42.3	41.7	43.9	43.5	47.7	48.7
	Long-Term Funds to Property, Plant, and Equipment		489.3	572.0	614.8	661.9	785.9	850.9
Solvency	Current Ratio		138.0	150.3	150.5	152.5	132.4	132.6
	Quick Ratio		84.0	92.8	89.9	90.6	57.8	63.7
	Times Interest Earned		39.3	52.4	74.0	101.8	131.8	123.5
Operating Performance	Average Collection Turnover (Times)		13.0	12.3	11.3	12.3	14.8	12.1
	Average Collection Days		28.1	29.7	32.3	29.8	24.6	30.3
	Average Inventory Turnover (Times)		5.7	6.0	5.7	4.8	3.9	3.4
	Average Payables Turnover (Times)		5.2	5.7	5.9	4.9	5.4	5.5
	Days' Sales in Inventory		64	61	64	76	93	109
	Property, Plant, and Equipment Turnover (Times)		8.9	11.0	11.8	10.1	11.8	12.8
	Total Asset Turnover (Times)		1.1	1.1	1.1	0.9	0.8	0.8
Profitability	Return on Assets (%)		3.9	8.2	10.5	15.0	14.8	3.6
	Return on Equity (%)		6.4	13.8	18.1	26.4	27.1	6.3
	Pre-Tax Income to Paid-in Capital (%)		34.7	87.7	107.1	175.3	207.5	52.5
	Net Income to Sales (%)		3.6	6.8	8.9	15.2	16.3	15.1
	EPS (NTD)		2.7	5.7	8.4	13.4	15.6	4.0
Cash Flow	Cash Flow Ratio (%)		4.7	10.9	15.4	25.6	6.9	4.6
	Cash Flow Adequacy Ratio (%)		94.7	87.5	67.4	70.8	43.5	39.1
	Cash Flow Reinvestment Ratio (%)		(5.6)	0.8	0.8	3.7	(5.0)	2.2
Leverage	Operating Leverage		1.3	1.2	1.2	1.2	1.2	1.1
	Financial Leverage		1.0	1.0	1.0	1.0	1.0	1.0

Explanations on Reasons for Changes in Various Financial Ratios in the Most Recent Two Years: (Increases/Decreases less than 20% may be exempted from analysis)

1. Quick Ratio: decreased by 36% mainly due to increase in contract liabilities at the end of the year.
2. Times Interest Earned: increased by 30% mainly due to increase in pre-tax income resulting from great addition of current income from investments compared to the preceding year.
3. Receivables Turnover: increased by 21% mainly due to growth in current revenue and increase in Net Sales.
4. Days' Sales in Inventory: increased by 22% mainly due to increase in stock at the end of the year driven by growth of current revenue and great demands.
5. Cash Flow Ratio: decreased by 73% mainly due to decrease in net cash flow for operating

activities resulting from increase in stocks at the end of the year.

6. Cash Flow Adequacy Ratio: decreased by 39% mainly due to increase in stocks at the end of year driven by current revenue growth as well as significant increase in distribution of cash dividend.
7. Cash Flow Reinvestment Ratio: decreased by 235% mainly due to decrease in net cash flow for operating activities resulting from increase in stocks at the end of the year.

*Where the Company has prepared a standalone financial report, standalone financial ratio analysis shall be prepared otherwise.

*In events which fewer than five years of IFRS-recognized financial information have been applied, the financial information applying the AIS shall be prepared otherwise in the following table: Not Applicable

Note 1: The Company's financial reports for 2017 to 2021 are certified by Accountants, and the financial data for the first quarter of 2022 are reviewed by Accountants.

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

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

1. Financial structure
 - (1) Debt Ratio = total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net amount of real estate, facilities, and equipment.
2. Solvency (%)
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - payment in advance) / current liabilities.
 - (3) Interest earned ratio (times) = earnings before interest and taxes / interest expenses for current period.
3. Operating performance
 - (1) Accounts receivable turnover (times) (including receivables and notes receivable arising from business) is equal to net sales / average receivables (including receivables and notes receivable arising from business).
 - (2) Average collection period = 365 / receivable turnover rate.
 - (3) Inventory turnover (times) = cost of sale / average inventory.
 - (4) Accounts payable turnover (times) (including accounts payable and notes payable arising from business) = sales cost / average balance of accounts payable for each period (including accounts payable and notes payable arising from business).
 - (5) Average days in sales = 365 / inventory turnover rate.
 - (6) Property, plant, and equipment turnover (times) = net sales volume / average net amount of real estate, facilities and equipment.
 - (7) Total assets turnover (times) = net sales volume / average total assets.
4. Profitability
 - (1) Return on total assets (%) = [after-tax profit and loss + interest expense * (1 - tax rate)] / average total assets.
 - (2) Return on stockholders' equity (%) = after-tax profit / loss / total average equity.
 - (3) Profit ratio (%) = after-tax profit / loss / net sales.
 - (4) Earnings per share (NTD) = (profits and losses attributable to the owner of the parent Company - preferred stock) / weighted average number of issued shares. (Note 4)
5. Cash Flow
 - (1) Cash flow ratio = net cash flow of business activities / current liabilities.
 - (2) Cash flow adequacy ratio (%) = Net Cash Flow of Business Activities in the Last Five Years / Last Five Years (Capital Expenditure + Inventory Increase + Cash Dividend).
 - (3) Cash reinvestment ratio (%) = (net cash flow of business activities - cash dividend) / (gross amount of real estate, facilities, and equipment + long-term investment + other non-current assets + operating funds). (Note 5)
6. Leverage:
 - (1) Operating leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Benefits (Note 6)
 - (2) Financial leverage = Operating Interest / (Operating Interest - Interest Cost).

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

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

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

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

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

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

(1) 2. Financial Analysis-IFRS [Standalone Financial Report]

Items \ Years		Financial Information for the Most Recent Five Years				
		2017	2018	2019	2020	2021
Financial	Debt-to-Asset Ratio	38.13	38.07	39.41	39.43	44.59
Structure	Long-Term Funds to Property, Plant, and Equipment	1,094.2	1,233.7	1,360.2	1,597.2	1827.8
Solvency	Current Ratio	104.9	123.0	126.6	115.5	100.4
	Quick Ratio	76.0	91.4	103.5	74.4	41.4
	Times Interest Earned	159.8	269.9	339.3	1,098.1	562.5
Operating Performance	Average Collection Turnover (Times)	8.9	9.6	8.2	7.8	13.0
	Average Collection Days	41	38	45	47	28
	Average Inventory Turnover (Times)	11.7	13.1	14.6	8.8	5.3
	Average Payables Turnover (Times)	4.7	5.6	5.6	4.1	4.9
	Days' Sales in Inventory.	31	28	25	42	69
	Property, Plant, and Equipment Turnover (Times)	17.2	22.1	24.7	20.2	24.1
	Total Asset Turnover (Times)	1.0	1.1	1.1	0.8	0.7
Profitability	Return on Assets (%)	4.2	8.7	11.6	16.2	15.9
	Return on Equity (%)	6.6	14	18.9	26.8	27.5
	Pre-Tax Income to Paid-in Capital (%)	33.1	85.4	106.1	168.3	197.0
	Net Income to Sales (%)	4.4	7.5	10	19.7	19.8
	EPS (NTD)	2.7	5.7	8.4	13.4	15.6
Cash Flow	Cash Flow Ratio (%)	14.5	14.5	25.1	13.6	11.0
	Cash Flow Adequacy Ratio (%)	98.9	92.4	89.3	76.7	46.8
	Cash Flow Reinvestment Ratio (%)	(3.4)	0.9	2.7	(1.7)	(4.5)
Leverage	Operating Leverage	1.1	1.1	1.0	1.1	1.1
	Financial Leverage	1.0	1.0	1.0	1.0	1.0

Explanations on Reasons for Changes in Various Financial Ratios in the Most Recent Two Years: (Increases/Decreases less than 20% may be exempted from analysis)

1. Quick Ratio : decreased by 44% mainly due to increase in current liabilities resulting from increases in short-term loans and advances at the end of the current year.
2. Times Interest Earned: decreased by 49% mainly due to increase in current interest expense.
3. Receivables Turnover: increased by 66% mainly due to growth in current revenue and increase in Net Sales.
4. Inventory Turnover: decreased by 40% mainly due to revenue growth and incremented net income as well as increase in stocks at the end of the year.
5. Cash Flow Adequacy Ratio: decreased by 39% mainly due to increase in stocks at the end of year driven by current revenue growth as well as significant increase in distribution of cash dividend.

6. Cash Flow Reinvestment Ratio: decreased by 165% mainly due to decrease in net cash flow for operating activities resulting from increase in stocks at the end of the year.

*In events which fewer than five years of IFRS-recognized financial information have been applied, the financial information applying the AIS shall be prepared otherwise in the following table: Not Applicable.

Note 1: Financial data in period 2017~2021 have already been audited and attested by accountants.

Note 2: Please refer to descriptions of Note 3 in the above Table (1) 1. for Financial Analysis equations.

iii. Audit Committee Review Report for Financial Report in the Most Recent Year

Audit Committee's Review Report

The Board of Directors of Merida prepared the Independent and Consolidated financial statements in 2021 and entrusted the accountant Shu-Chin Chiang, and the accountant Done-Yuin Tseng from Deloitte & Touche with the audit of the financial statements, who have completed the audit and worked out the audit report. The abovementioned financial statements are the operating report and proposal for distribution of gains, and no noncompliance is found after it is checked by the Audit Committee. It is hereby reported as above in accordance with the relevant provisions of Security Exchange Law and the Company Law for checking.

Yours Faithfully

2022 Annual Shareholders' Meeting

Merida Industry Co., Ltd.

Chairman of the Audit Committee

Chen Shui-Jin



Date : March 23 2022

iv. Consolidated Financial Report of 2021: Please refer to Page 196.

v. Standalone Financial Report of 2021: Please refer to Page 135.

vi. The Impacts of Financial Difficulties on the Financial Situation of the Company and its Affiliated Companies in Recent Years and as of the Date of Annual Report Publication: None.

VII. Review and Analysis and Matters of Risks concerning Financial Status and Performance

i. Financial Status:

(1) Comparison and Analysis of Financial Status:

Unit: NTD Thousands

Items \ Year	2020	2021	Difference	
			Amount	%
Current Assets	12,588,937	15,022,093	2,433,156	19.3
Fund and Investment	13,866,452	17,411,161	3,544,709	25.6
Property, Plant, and Equipment	2,685,572	2,489,995	(195,577)	(7.3)
Other Assets	188,188	276,464	88,276	46.9
Total Asset	29,682,477	35,508,949	5,826,472	19.6
Current Liabilities	8,252,813	11,347,439	3,094,626	37.5
Long-Term Liabilities	994,190	997,057	2,867	0.3
Other Liabilities	3,654,887	4,592,729	937,842	25.7
Total Liabilities	12,901,890	16,937,225	4,035,335	31.3
Equity Attributable to Owners of Parent	16,034,136	17,755,250	1,721,114	10.7
Share Capital	2,989,838	2,989,838	0	0.0
Capital Surplus	416,290	416,290	0	0.0
Retained Earnings	14,302,371	16,813,908	2,511,537	17.6
Other Equities	(1,674,363)	(2,464,786)	(790,423)	47.2
Non-Controlling Interests	746,451	816,474	70,023	9.4
Total Equities	16,780,587	18,571,724	1,791,137	10.7

(2) Descriptions:

1. Fund and Investment increased mainly due to increase in investments under equity methods.
2. Other Assets increased mainly due to increases in deferred tax assets.
3. Current Liabilities increased mainly due to increase in contract liabilities.
4. Other Liabilities increased mainly due to increase in deferred tax liabilities.
5. Other Equities increased due to increases in exchange differences from conversion of currencies in the financial statement of foreign operating institutions resulting from fluctuations in exchange rates.

ii. Financial Performance

(1) Comparison and Analysis of Financial Performance:

Unit: NTD Thousands

Items \ Years	2020	2021	Gain (Loss) Amount	Change Proportion (%)
Net Operating Revenue	27,072,342	29,391,183	\$2,318,841	8.6
Operating Cost	23,285,132	25,304,229	2,019,097	8.7
Operating Margin	3,787,210	4,086,954	299,744	7.9
Realized (Unrealized) Gain on Sales	278,539	(186,834)	(465,373)	(167.1)
Net Operating Margin	4,065,749	3,900,120	(165,629)	(4.1)
Operating Expenses	2,181,527	2,310,744	129,217	5.9
Non-Operating Income and Expenses	3,356,595	4,615,377	1,258,782	37.5
Pre-Tax Income	5,240,817	6,204,753	963,936	18.4
Income Tax Expense	1,128,670	1,416,583	287,913	25.5
Current Net Profit	4,112,147	4,788,170	676,023	16.4
Other Current Comprehensive Income (Net after Tax)	(461,204)	(904,146)	(442,942)	96.0
Total of Current Comprehensive Income	3,650,943	3,884,024	233,081	6.4
Net Income Attributable to Owners of Parent	3,993,317	4,649,502	656,185	16.4
Net Income Attributable to Non-Controlling Interests	118,830	138,668	19,838	16.7
Total Comprehensive Income Attributable to Owners of Parent	3,511,692	3,814,001	4302,309	8.6
Total Comprehensive Income Attributable to Non-Controlling Interests	139,251	70,023	(69,228)	(49.7)

(2) Descriptions:

1. Increase in Unrealized Gain on Sales: mainly due to growth in operating income, sales volume to related parties, as well as increase in stocks at the end of the year driven by incremental sales in the market.
2. Increase in Non-Operating Income and Expenses: mainly due to sustained profiting of reinvestment businesses.
3. Increase in Income Tax Expense: mainly due to increase in Pre-Tax Income.
4. Increase in Other Comprehensive Income: mainly due to increases in exchange differences from conversion of currencies in the financial statement of foreign operating institutions resulting from fluctuations in exchange rates.
5. Decreases in Net Profit and Total Comprehensive Income Attributable to Non-Controlling Interests: mainly due to decreased profit resulting from reduction in sales by subsidiaries.

iii. Cash Flow:

(1) Comparison and Analysis of Cash Flow:

Items \ Years	2020	2021	Gain (Loss) Proportion (%)
Cash Flow Ratio (%)	25.6	6.9	(73)
Cash Flow Adequacy Ratio (%)	70.8	43.5	(39)
Cash Flow Reinvestment Ratio (%)	3.7	(5.0)	(235)

(2) Descriptions:

1. Cash Flow Ratio decreased mainly due to decrease in net cash flow for operating activities resulting from increase in stocks at the end of the year.
2. Cash Flow Adequacy Ratio decreased mainly due to increase in stocks at the end of year driven by current revenue growth as well as significant increase in distribution of cash dividend.
3. Cash Flow Reinvestment Ratio decreased mainly due to decrease in net cash flow for operating activities resulting from increase in stocks at the end of the year.

(3) Analysis of Cash Liquidity in the Upcoming Year:

Unit: NTD Thousands

Beginning Cash Balance (1)	Expected Net Cash Flow from Annual Operating Activities (2)	Expected Annual Cash Outflow (3)	Expected Cash Surplus (Shortfall) (1)+(2)-(3)	Remedy for Anticipated Cash Shortfall	
				Investment Plan(s)	Financing Plan(s)
3,684,856	2,099,700	3,057,313	2,727,243	-	-

iv. Influence of Material Capital Expenditure on Finance in the Most Recent Year:

1. Major capital expenditure items and source of capital

- (1) In recent years, the Company's operation has continued to rise. Although some of its factories have been expanded from 2008 to 2011, in order to meet the needs of production line business, it has been assessed that in 2013, it acquired factories adjacent to non-urban land as land for expansion and invested about NTD 250 million in additional e-bike factories and production lines, and continuously optimize the production line of e-bikes.
- (2) In order to increase the production capacity of the frame production line and improve the precision and speed of tube cutting, the Company has successively updated the pretreatment equipment and purchased laser cutting machine and automatic welding machine during the period of 2017 to 2021; The Company also has continuously invested NTD 24 million to upgrade its wastewater treatment facilities in response to environmental protection and corporate social responsibility.

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

2. Expected Benefits: the annual capacity of the expansion and addition of the e-bike plant is about 420,000 units, with an annual output of about NTD 20

billion; With the improvement of frame production line and equipment, the production capacity can be increased by more than 25%.

v. Investment Policies in the Most Recent Year as well as their Main Causes for Profits or Losses and Improvement Plans, and the Investment Plans for the Upcoming Year:

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

vi. Analysis and Evaluation of Risk Matters:

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. In 2021, the US Dollar interest rate experiences an increase, while that of Japanese Yen showed trivial fluctuations. With respect to the costs of the Company's imported raw materials denominated in US Dollar and Japanese Yen, the interest expense in 2021 increased by NT\$5,905 thousand compared with 2020. Looking forward to 2022, affected by the impact of the novel coronavirus pneumonia pandemic and the Russo-Ukrainian War, it is expected that the Fed will initiate a policy of raising interest rates. The interest expenses as part of the costs of the Company's imported raw materials denominated in US Dollar and Japanese Yen is expected to remain or slightly increase.
2. As the Company depends greatly on export sales of products and imports of raw materials, changes in exchange rate will significantly impact the Company's gain and loss. In 2021, the average exchange rate of the US Dollar gradually strengthened and appreciated, while in the meantime the exchange rate of the Japanese Yen weakened and depreciated, resulting in exchange benefits of NT\$155,223 thousand.
3. With prospect to 2022, the heated pandemic driven by novel coronavirus strain variant plus skyrocketing energy and raw material prices triggered by the Russo-Ukrainian War bring about domestic and foreign raw material prices due to panic expectations of supply shortages, resulting in a price increase trend; in addition, the costs of logistics and transportation remains at high price. The Company will continue to follow the trend of international prices and strictly control various expenses, so as to strive for cost reduction.
4. The Company's future conducts will be subject to dependence on the interest rate and exchange rate trends as well as compliance with its relevant management regulations.

(2) Policies and Main Causes for Gains or Losses and Future Response Measures with Respect to Engagement in High-Risk and High-Leveraged Investments, Loaning of Funds to Others or Endorsement and Guarantees, and Derivatives Transactions:

1. The Company does not engage in high-risk and high-leveraged investments.
2. The Company engages in loaning of funds to others, endorsements and guarantees and derivatives transactions in accordance with relevant management regulations.

(3) Future R&D Projects and Anticipated Contributions:

1. Future R&D Project: the Company will continue to research and develop new products in the orientation of “3Ns”-New Material, New Utility, and New Functions.
2. Anticipated Contributions: Full support following analysis of R&D project.
3. R&D Plans in the Upcoming Two Years:

(1) “Integrated Handlebar Stem Set” R&D Project:

Estimated R&D Expense Contribution at NTD 4 million.

“Integrated Handlebar Stem Set” following with fully internal routing have become necessities in the new-generation premium road bikes. With such set, brake and derailleur cables can be stored and cloaked under the handlebar stem, yielding an extremely streamline and simple appearance overall. Furthermore, the appearance integrated with head parts forms an integrated silhouette which increases greatly the added value of products.

(2) “Ultra-lightweight Full Suspension E-Mountain Bikes” R&D Project:

Estimated R&D Expense Contribution at NTD 12 million.

The main objective of “Ultra-lightweight Full Suspension E-Mountain Bikes” is to make the frame lightweight. With the built-in battery that is completely hidden and fixed in the down tube, an appearance featuring integrated beauty can be made possible. The addition of the extended-range battery can increase the battery capacity and improve the riding mileage, allowing riders extend their cycling journey and savor greater fun in riding.

(3) R&D Information:

Project(s) in the Most Recent Year	Current Progress	Addition R&D to be Contributed	Expected Time for Completion and Mass Production	Main Influencing Factors for Future R&D Success
Integrated Handlebar Stem Set	Graphic Design in Progress. Product Specification under Planning.	Approx. NTD 4 million	Q2 2022-Graphics Completed Q3 2022-Mold Completed Q4 2022-Sample Testing and Tuning, plus Testing and	Well-designed concealed wiring design and integrated appearance lead to an integrated silhouette;

			Evaluation by professional European cycling teams. Q1 2023-Mass Production.	compatible with all of MERIDA's high-end road bikes for added value of the vehicle and the unit sales price.
Ultra-lightweight Full Suspension E-Mountain Bikes	Graphic Design in Progress. Product Specification under Planning.	Approx. 12 million	Q2 2022-Graphics Completed Q3 2022-Mold Completed Q4 2022-Sample Testing and Tuning, plus Offsite Testing and Evaluation in Europe Q1 2023-Mass Production.	Under the sustained fever of the e-bike market, optimized frame weight, beautified appearance followed with high-capacity battery may meet the market demand.

(4) Effects of and Response to Changes in Policies and Regulations relating to Corporate Finance and Sales:

1. Financial Supervisory Commission (FSC), to strengthen the information security management mechanism of public companies, expressively states that appropriate human resources and equipment shall be appointed to plan, monitor and execute information security management operations. The Company has appointed its dedicated information security supervisors as well as personnel to cooperate with information security system planning, monitoring and implementation of information security management operations.
2. The Company will eye on the changes in various important domestic and foreign policies, financial circumstances, securities regulations, tax laws, financial accounting standards, and other relevant regulations and responds to relevant changes in advance to strive to reduce the impacts on the Company.

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

1. The Company continues to introduce industrial technology and apply it to product development and process improvement.
2. In order to strengthen the Company's information security management, the Company plans to have strong management measures for various information risks, such as: device management, hardware protection, application system security monitoring, Internet access and mobile security, etc.
3. To improve and enhance network and information system security capabilities and information governance standards through technical and management measures.
4. The Company's most recent annual report and as of the date of publication of the annual report have not been affected by technology affecting the Company's financial and business affairs.

- (6) The Impact of Corporate Image Change on Enterprise Crisis Management and Countermeasures: None.
- (7) Expected Benefits, Possible Risks and Countermeasures of Mergers and Acquisitions: None.
- (8) Expected Benefits, Possible Risks and Countermeasures for Expansion of Plant:
 - 1. Expected benefits of plant expansion can be found on page 124-iv-2.
 - 2. In response to the impact of the COVID-19 epidemic and the continued growth of the global e-bike market, we have managed our production scale and optimized our production lines in order to meet the needs of our customers with the best production configuration.
- (9) Risks and Measures of Concentration of Purchase or Sale: None.
- (10) The impact, risks and countermeasures of the transfer or replacement of a large number of shares of directors, independent directors or major shareholders holding more than 10% of the shares on the Company: None.
- (11) The Impact, Risk and Response Measures of the Change of Operating Right on the Company: None.
- (12) Litigation or Non-litigation Issues: None.
- (13) Other Important Risks: None.

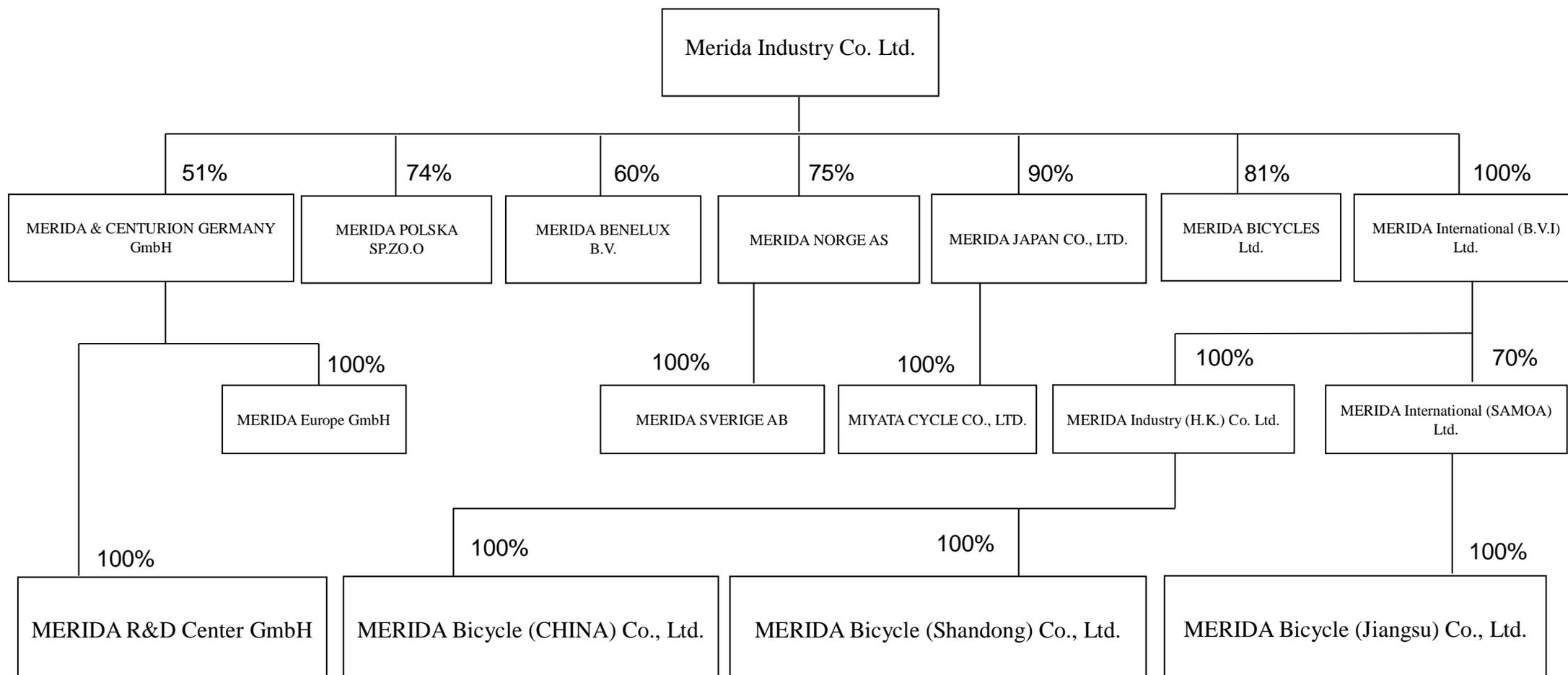
vii. Other Important Matters: None.

VIII. Special Disclosure

i. Summary of Affiliated Companies:

1. Business Report on Combined Operation of Affiliated Enterprises:

(1) Organizational Chart of Affiliated Enterprises:



(2)Basic information on affiliated enterprises

Date: as of December 31, 2021

Name of enterprise	Date of establishment	Address	Paid-in capital (thousand)	Major business contents
MERIDA &CENTURION GERMANY GmbH	September 14, 2001	BlumenstraBe 51 D-71106 Magstadt Germany.	EUR 6,000	Sales of bike and components
MERIDA Europe GmbH	February 20, 2002	BlumenstraBe 49-51 D-71106 Magstadt Germany.	EUR 25	Brand promotion and fleet management
MERIDA R&D Center GmbH	January 16, 2014	BlumenstraBe 49-51 D-71106 Magstadt Germany.	EUR 25	Design and development of bikes
MERIDA POLSKA SP.ZO.O	June 13, 2001	Ul. M.Curie-Sklodowskiej 35,41-800 Zabrze Poland.	PLN 135	Sales of bike and components
MERIDA BENELUX B.V.	June 10, 1998	Kruisweg 5, NL-7361 EB Beekbergen, The Netherlands.	EUR 3,341	Sales of bike and components
MERIDA BICYCLES Ltd.	February 28, 1995	Unit 13 Nottingham South & Wilford Industrial Estate Ruddington Lane Wilford, Nottingham, NG11 7EP U.K.	GBP 592	Sales of bike and components
MERIDA International (B.V.I) Ltd.	January 31,1997	CITCO Building P.O.Box 662, Road Town ,Tortola, British Virgin Islands.	USD 42,500	Holding company
MERIDA Industry (H.K.) Co. Ltd.	May 18, 1993	Room C, 21/F, Levin Business Centre, 169 Electric Road, North Point, Hong Kong	HKD 202,800	Investment holding
MERIDA International (SAMOA) Ltd.	April 23, 2012	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 35,000	Investment holding
MERIDA Bicycle (CHINA) Co. Ltd.	July 12, 1990	No. 278, Jihua Road, Lihu community, Jihua street, LongGang District, Shenzhen	RMB 69,936	Processing, manufacturing and sales of bikes, e-bikes, and components
MERIDA Bicycle (Shandong) Co. Ltd.	March 3, 2007	2388 Jinghua Avenue, Dezhou Economic Development Zone, Shandong Province	RMB 118,676	Processing, manufacturing, and sales of bikes and components
MERIDA Bicycle (Jiangsu) Ltd.	June 28, 2012	No. 11 Xinxing East Road, Nantong Economic and Technological Development Zone, Jiangsu Province	RMB 219,321	Production, sales, import and export and wholesales of e-bikes, bikes, and components
Merida Japan Co., Ltd.	June 1, 2010	11-27 Higashida-cho Kawasaki-ku, Kawasaki-shi, kanagawa MetLife Kawasaki Building 6F	JPY 100,000	Sales of bike and components
MIYATA CYCLE CO. Ltd.	July 1, 2020	11-27 Higashida-cho Kawasaki-ku, Kawasaki-shi, kanagawa MetLife Kawasaki Building 8F	JPY 30,000	Sales of bike and components
Merida Norge AS.	June 20, 1976	Philip Pedersens vei 22,1366 Lysaker, Norway	NOK 26,400	Sales of bike and components
Merida Sverige AB	July 15, 2009	Ovre Husargatan 32, Gothenburg, Sweden	SEK1,000	Sales of bike and components

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

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

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

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

Date: as of December 31, 2021

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

	Director Director Director Director President	Zeng, Shang-yuan Chen, Ying-zhou Zeng, Gui-su Cai, Xue-liang Tsai, Wei-sing		
MERIDA Bicycle (Shandong) Co. Ltd.	Chairman Director Director Director Director Supervisor Supervisor President President of Domestic Sales Headquarters	MERIDA Industry (H.K.) Co. Ltd. Representative: Zeng, Song-zhu Zeng, Shang-Yuan Chen, Ying-zhou Zeng, Gui-su Cai, Xue-liang Zheng, Wen-xiang Zeng, Hui-zhi Tang, Chia-hung Chang, Wen-Jie	Not issuing shares	100.00
MERIDA Bicycle (Jiangsu) Ltd.	Chairman Director Director Director Director Supervisor Supervisor President	MERIDA International (SAMOA) Ltd. Representative: Zeng, Song-zhu Zeng, Chin-cheng Lai, Ru-ding Yuan, Qi-bin Chen, Si-ru Zeng, Gui-su Cai, Xue-liang Lai, Tung-sha	Not issuing shares	100.00
MERIDA Japan Co., Ltd.	Shareholder Shareholder Director & President Director Director Director Director Supervisor	MERIDA INDUSTRY CO.,LTD. Employees etc. Shinichiro Takaya Zeng, Song-zhu Zheng, Wen-xiang Masato Tanaka Zeng, Shang-yuan Tahara Hiroyuki	1,800 100 100	90.00 5.00 5.00
Miyata Cycle Co., Ltd.	Shareholder Director & President Director Director Director Supervisor	MERIDA Bicycle (Japan)Co., Ltd. Shinichiro Takaya Zeng, Song-zhu Zheng, Wen-xiang Zheng, Shang-Yuan Tahara Hiroyuki	300	100.00
Merida Norge AS.	Shareholder Shareholder Chairman Director & President Director Director Director Director Director	MERIDA INDUSTRY CO.,LTD. Marsti Holding AS Einar Steen-Olsen Stian Steen-Olsen Marianne Aanesen Margareth Steen-Olsen Michael Song-Chu Tseng Wen Shiang Jeng Jon Kåre Stene	198,000 66,000	75.00 25.00
Merida Sverige AB	Shareholder Chairman Director & President Director Director	Stians Sport AS. Jan Andreasson Stian Steen-Olsen Einar Steen-Olsen Margareth Steen-Olsen	10,000	100.00

(2) Operation Overview for the Affiliates of the Company:

Unit: NTD Thousands, except for EPS in NTD

Affiliate Name	Paid-In Capital	Total Asset	Total Liabilities	Net Value	Operating Revenue	Gain (Loss) from Operations	Current Gain (Loss) (After Tax)	EPS (After Tax)
MERIDA & CENTURION GERMANY GmbH	187,920	1,959,786	850,401	1,109,385	3,270,670	355,409	256,924	No Outstanding Shares
MERIDA Europe GmbH	783	62,170	7,047	55,123	40,455	10,412	7,594	No Outstanding Shares
MERIDA R&D Center GmbH	783	17,038	2,161	14,877	53,487	696	497	No Outstanding Shares
MERIDA POLSKA SP.ZO.O	925	434,590	310,046	124,544	608,952	42,451	33,521	248,303.70
MERIDA BENELUX B.V.	104,646	122,574	96,759	25,815	432,107	25,634	36,845	28.86
MERIDA BICYCLES Ltd.	22,100	177,606	24,747	152,859	576,601	75,683	60,262	101.71
MERIDA International (B.V.I) Ltd.	1,176,400	2,636,560	0	2,636,560	0	(82)	(7,638)	(0.18)
MERIDA Industry (H.K.) Co. Ltd.	719,737	1,805,524	0	1,805,524	0	(1,327)	76,610	0.38
MERIDA International (SAMOA)Ltd.	968,800	550,949	0	550,949	0	(52,937)	(120,948)	(3.46)
MERIDA Bicycle (CHINA) Co., Ltd.	303,801	465,135	128,018	337,117	568,207	(69,519)	(66,878)	No Outstanding Shares
MERIDA Bicycle (Shandong) Co., Ltd.	515,529	1,353,151	357,344	995,807	2,318,823	182,648	141,500	No Outstanding Shares
MERIDA Bicycle (Jiangsu) Co., Ltd.	952,278	1,388,404	878,988	509,416	988,257	(99,724)	(120,921)	No Outstanding Shares
MERIDA JAPAN CO., LTD.	24,050	287,030	224,648	62,382	474,187	(2,125)	(4,231)	(2,115.50)
MIYATA CYCLE CO., LTD.	7,215	31,686	18,771	12,915	63,908	(3,880)	(2,104)	(7,013.33)

MERIDA NORGE AS	83,303	237,422	91,579	145,843	483,242	32,813	28,223	106.91
MERIDA SVERIGE AB	3,070	48,672	25,917	22,755	217,180	24,335	17,880	1,788.00

1. Statement for Consolidated Financial Report of Affiliated Enterprises: please refer to Page 197.
2. Consolidated Financial Statement of Affiliated Enterprises: please refer to Page 202 to 207.
3. Relation Report: None.

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

iii. Holding or Disposal of the Company's Shares of by its Subsidiaries in the Most Recent Year and as of Date of Annual Report Publication: None.

iv. Other Necessary Supplements and Descriptions: None.

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

Merida Industry Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Merida Industry Co., Ltd. (the Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2021 is as follows:

Revenue Recognition

The Corporation's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. As export revenue from the sale of e-bikes for the year ended December 31, 2021 accounted for a significant proportion of sales revenue, recognition of sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

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

1. We understood and evaluated the design and appropriateness of implementation of the internal controls related to the recognition of sales revenue and the operating procedures and risks related to revenue collection, and tested the continuous effectiveness of its related procedures during the year.
2. We obtained the sales revenue sales receipts from the export of e-bikes, sampled the orders, and subsequently recognized the documents and receipt vouchers related to sales revenue to verify the occurrence of the sales revenue recognized.

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2021 and 2020, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT\$17,065,507 thousand and NT\$13,544,791 thousand, accounting for 53% and 51% of the Corporation's total assets as of December 31, 2021 and 2020, respectively. The share of profit of associates was NT\$4,336,070 thousand and NT\$3,359,564 thousand, accounting for 74% and 67% of the Corporation's total net income before tax for the years ended December 31, 2021 and 2020, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2022

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6(1))	\$ 1,502,477	5	\$ 1,528,092	6
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	644,638	2	1,563,734	6
Notes receivable (Notes 4 and 6(15))	16,696	-	6,954	-
Trade receivables (Notes 4, 6(3) and 6(15))	80,906	-	142,585	1
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,680,325	6	1,685,153	6
Other receivables (Notes 4 and 7)	92,457	-	149,154	1
Inventories (Notes 4, 5 and 6(4))	5,211,267	16	2,780,043	11
Other current assets	543,288	2	38,291	-
Total current assets	9,772,054	31	7,894,006	31
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 6(5))	92,620	-	92,620	-
Investments accounted for using the equity method (Notes 4 and 6(6))	20,960,030	65	17,323,550	65
Property, plant and equipment (Notes 4 and 6(7))	971,424	3	1,003,876	4
Right-of-use assets (Notes 4 and 6(8))	2,459	-	3,529	-
Investment properties (Notes 4 and 6(9))	34,739	-	34,836	-
Intangible assets (Notes 4 and 6(10))	13,202	-	13,390	-
Deferred tax assets (Notes 4 and 6(17))	134,832	1	76,068	-
Prepayments for equipment	55,073	-	26,066	-
Refundable deposits (Note 4)	4,391	-	2,976	-
Total non-current assets	22,268,770	69	18,576,911	69
TOTAL	\$ 32,040,824	100	\$ 26,470,917	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 6(11))	\$ 2,165,706	7	\$ 1,161,358	4
Contract liabilities - current (Notes 4, 6(15) and 7)	2,413,939	8	160,028	1
Trade payables	3,941,737	12	4,583,041	18
Trade payables to related parties (Note 7)	73,118	-	112,664	-
Other payables (Note 6(12))	796,120	2	705,254	3
Current tax liabilities (Notes 4 and 6(17))	328,947	1	108,191	-
Lease liabilities - current (Notes 4 and 6(8))	1,370	-	2,870	-
Other current liabilities	14,871	-	3,636	-
Total current liabilities	9,735,808	30	6,837,042	26
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 6(17))	4,346,780	14	3,423,416	13
Lease liabilities-non-current (Notes 4 and 6(8))	1,029	-	567	-
Net defined benefit liabilities (Notes 4 and 6(13))	160,637	1	108,391	-
Guarantee deposits received	267	-	267	-
Credit balance of investments accounted for using the equity method (Notes 4 and 6(6))	41,053	-	67,098	-
Total non-current liabilities	4,549,766	15	3,599,739	13
Total liabilities	14,285,574	45	10,436,781	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	9	2,989,838	11
Capital surplus				
Share premium from issuance of ordinary shares	416,290	1	416,290	2
Retained earnings				
Legal reserve	3,135,227	10	2,732,977	10
Special reserve	1,674,362	5	1,163,048	4
Unappropriated earnings	12,004,319	38	10,406,346	40
Other equity	(2,464,786)	(8)	(1,674,363)	(6)
Total equity	17,755,250	55	16,034,136	61
TOTAL	\$ 32,040,824	100	\$ 26,470,917	100

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

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

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 23,434,868	100	\$ 20,229,413	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>21,324,979</u>	<u>91</u>	<u>18,422,627</u>	<u>91</u>
GROSS PROFIT	2,109,889	9	1,806,786	9
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(186,227)</u>	<u>(1)</u>	<u>447,879</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>1,923,662</u>	<u>8</u>	<u>2,254,665</u>	<u>11</u>
OPERATING EXPENSES (Notes 6(16) and 7)				
Selling and marketing expenses	514,301	2	499,060	2
General and administrative expenses	<u>433,419</u>	<u>2</u>	<u>361,186</u>	<u>2</u>
Total operating expenses	<u>947,720</u>	<u>4</u>	<u>860,246</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>975,942</u>	<u>4</u>	<u>1,394,419</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 7)	20,409	-	27,928	-
Technical service and royalty income (Note 7)	79,556	-	66,165	-
Other income	65,837	-	78,596	-
Net foreign exchange gains (losses) (Notes 4 and 13)	155,223	1	(106,578)	(1)
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	(5,639)	-	23,743	-
Share of profit of subsidiaries and associates (Notes 4 and 6(6))	4,644,140	20	3,580,526	18
Interest expense	(10,491)	-	(4,586)	-
Other expenses (Note 6(16))	<u>(34,247)</u>	<u>-</u>	<u>(29,069)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,914,788</u>	<u>21</u>	<u>3,636,725</u>	<u>17</u>
PROFIT BEFORE INCOME TAX	5,890,730	25	5,031,144	24
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,241,228</u>	<u>5</u>	<u>1,037,827</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>4,649,502</u>	<u>20</u>	<u>3,993,317</u>	<u>19</u>

(Continued)

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 6(13))	\$ (56,347)	-	\$ 37,111	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>11,269</u>	<u>-</u>	<u>(7,422)</u>	<u>-</u>
	<u>(45,078)</u>	<u>-</u>	<u>29,689</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(582,662)	(2)	(640,438)	(3)
Share of the other comprehensive income (loss) of associates (Note 6(6))	<u>(207,761)</u>	<u>(1)</u>	<u>129,124</u>	<u>1</u>
	<u>(790,423)</u>	<u>(3)</u>	<u>(511,314)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(835,501)</u>	<u>(4)</u>	<u>(481,625)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,814,001</u>	<u>16</u>	<u>\$ 3,511,692</u>	<u>16</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 15.55</u>		<u>\$ 13.36</u>	
Diluted	<u>\$ 15.48</u>		<u>\$ 13.27</u>	

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD.

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

	Common Shares (Note 6(14))	Capital Surplus Share Premium from Issuance of Common Share (Note 6(14))	Retained Earnings (Note 6(14))			Other Equity (Note 4) Exchange Differences on Translating the Financial Statements of Foreign Operations	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	\$ 2,989,838	\$ 416,290	\$ 2,482,733	\$ 769,489	\$ 8,283,384	\$ (1,163,049)	\$ 13,778,685
Appropriation of 2019 earnings							
Legal reserve	-	-	250,244	-	(250,244)	-	-
Special reserve	-	-	-	393,559	(393,559)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,255,732)	-	(1,255,732)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	-	-	(509)	-	(509)
Net profit for the year ended December 31, 2020	-	-	-	-	3,993,317	-	3,993,317
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	29,689	(511,314)	(481,625)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	4,023,006	(511,314)	3,511,692
BALANCE AT DECEMBER 31, 2020	2,989,838	416,290	2,732,977	1,163,048	10,406,346	(1,674,363)	16,034,136
Appropriation of 2020 earnings							
Legal reserve	-	-	402,250	-	(402,250)	-	-
Special reserve	-	-	-	511,314	(511,314)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,092,887)	-	(2,092,887)
Net profit for the year ended December 31, 2021	-	-	-	-	4,649,502	-	4,649,502
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(45,078)	(790,423)	(835,501)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,604,424	(790,423)	3,814,001
BALANCE AT DECEMBER 31, 2021	\$ 2,989,838	\$ 416,290	\$ 3,135,227	\$ 1,674,362	\$ 12,004,319	\$ (2,464,786)	\$ 17,755,250

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

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

MERIDA INDUSTRY CO., LTD.

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

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

(Continued)

MERIDA INDUSTRY CO., LTD.

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

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

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 23, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments accounted for using the equity method

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

1) Investments in subsidiaries

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

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

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

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

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

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

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

2) Investments in associates

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

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

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

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

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

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

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

g. Property, plant, and equipment

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

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

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

h. Investment properties

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

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

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

i. Intangible assets

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

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 6(20).

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, notes and trade receivables, other receivables and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

1. Revenue recognition

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

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

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

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

m. Leases

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

1) The Corporation as lessor

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

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

2) The Corporation as lessee

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

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

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Corporation considers the impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of inventories

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

6. EXPLANATION OF IMPORTANT ACCOUNTING ITEMS

1) Cash

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 226	\$ 256
Checking accounts and demand deposits	<u>1,502,251</u>	<u>1,527,836</u>
	<u>\$ 1,502,477</u>	<u>\$ 1,528,092</u>

2) Financial instruments at fair value through profit or loss

	<u>December 31</u>	
	2021	2020
Financial assets		
Non-derivative financial assets		
Mutual funds	\$ 600,202	\$ 1,511,654
Domestic listed shares	<u>44,436</u>	<u>52,080</u>
Financial assets at FVTPL - current	<u>\$ 644,638</u>	<u>\$ 1,563,734</u>

3) Trade receivables

	<u>December 31</u>	
	2021	2020
Trade receivables	\$ 1,763,389	\$ 1,829,483
Less: Allowance for impairment loss	<u>(2,158)</u>	<u>(1,745)</u>
	<u>\$ 1,761,231</u>	<u>\$ 1,827,738</u>

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

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

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

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

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

December 31, 2021

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-0.5%	3%	
Gross carrying amount	\$ 1,708,157	\$ 55,232	\$ 1,763,389
Loss allowance (Lifetime ECLs)	<u>(991)</u>	<u>(1,167)</u>	<u>(2,158)</u>
Amortized cost	<u>\$ 1,707,166</u>	<u>\$ 54,065</u>	<u>\$ 1,761,231</u>

December 31, 2020

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

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 1,745	\$ 5,423
Less: Impairment loss recognized (reversed) in the current year	<u>413</u>	<u>(3,678)</u>
Balance at December 31	<u>\$ 2,158</u>	<u>\$ 1,745</u>

4) Inventories

	December 31	
	2021	2020
Finished goods	\$ 1,091,128	\$ 593,262
Work in progress	197,329	732,655
Raw materials and supplies	3,859,900	1,386,327
Inventory in transit	<u>62,910</u>	<u>67,799</u>
	<u>\$ 5,211,267</u>	<u>\$ 2,780,043</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$21,324,979 thousand and \$18,422,627 thousand, respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-down of \$53,093 thousand and \$3,786 thousand, respectively.

5) Financial assets at fair value through other comprehensive income

	December 31	
	2021	2020
<u>Non-current</u>		
Overseas unlisted shares	\$ 89,220	\$ 89,220
Domestic unlisted shares	<u>3,400</u>	<u>3,400</u>
	<u>\$ 92,620</u>	<u>\$ 92,620</u>

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

6) Investments accounted for using the equity method

	December 31	
	2021	2020
Investments in subsidiaries	\$ 3,587,008	\$ 3,495,334
Investments in associates	<u>17,373,022</u>	<u>13,828,216</u>
	<u>\$ 20,960,030</u>	<u>\$ 17,323,550</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
<u>Unlisted shares</u>		
Merida International (B.V.I) Ltd. (“Merida B.V.I.”)	\$ 2,636,279	\$ 2,686,883
Merida & Centurion Germany GmbH (“Merida & Centurion”)	543,537	491,153
Merida Norge A.S. (“Merida Norge”)	124,983	97,759
Merida Polska Sp.z.o.o (“Merida Polska”)	86,894	66,506
Merida Japan Co., Ltd (“Merida Japan”)	59,761	68,877
Merida Bicycles Ltd. (“Merida U.K.”)	<u>135,554</u>	<u>84,156</u>
	<u>\$ 3,587,008</u>	<u>\$ 3,495,334</u>
<u>Credit Balance of Investments Accounted for Using the Equity Method</u>		
Merida Benelux B.V. (“Merida Benelux”)	<u>\$ 41,053</u>	<u>\$ 67,098</u>

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

	December 31	
	2021	2020
Merida B.V.I.	100%	100%
Merida & Centurion	51%	51%
Merida Norge	75%	75%
Merida Polska	74%	74%
Merida Japan	90%	90%
Merida U.K.	81%	81%
Merida Benelux	60%	60%

Stians Sport AS was renamed as Merida Norge AS in May 2020, while Miyata Cycle Co., Ltd. was renamed as Merida Japan Co., Ltd. in July 2020. Due to business needs, Merida Japan Co., Ltd. established a new company, Miyata Cycle Co., Ltd. The Corporation acquired 400 ordinary shares of Merida Japan Co., Ltd. through cash in the amount of \$15,195 thousand. After the acquisition, the Corporation’s shareholding proportion increased to 90%.

The profit/loss of subsidiaries accounted for using the equity method in 2021 and 2020 has been recognized in accordance with those subsidiaries' audited financial reports of the same years.

Refer to Table 7 “Information on Investees” following the Notes to Financial Statements for the nature of activities, principal places of business and countries of incorporation of the Corporation’s subsidiaries.

b. Investments in associates

	December 31	
	2021	2020
<u>Unlisted shares</u>		
Specialized Bicycle Components, Inc. (“SBC”)	\$ 17,065,507	\$ 13,544,791
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	122,672	114,561
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	77,185	70,268
Merida Czech s.r.o (“Merida Czech”)	52,107	42,587
Merida Slovakia s.r.o (“Merida Slovakia”)	26,362	25,978
Merida Korea Inc. (“Merida Korea”)	12,881	14,329
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	3,078	3,880
Merida Italy S.r.a (“Merida Italy”)	<u>13,230</u>	<u>11,822</u>
	<u>\$ 17,373,022</u>	<u>\$ 13,828,216</u>

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

	December 31	
	2021	2020
SBC	35%	35%
SAIL & SURF	40%	40%
Merida Bikes SWE	36%	36%
Merida Czech	45%	45%
Merida Slovakia	30%	30%
Merida Korea	40%	40%
WideDoctor	26%	26%
Merida Italy	27%	27%

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

The aggregate financial information of associates is as follows:

	For the Year Ended December 31	
	2021	2020
The Corporation's share of:		
Profit for the year	\$ 4,393,265	\$ 3,385,363
Other comprehensive loss for the year	<u>(207,761)</u>	<u>129,124</u>
Total comprehensive income for the year	<u>\$ 4,185,504</u>	<u>\$ 3,514,487</u>

Except for Merida Italy for the year ended December 31, 2020 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 this associate which has not been audited.

7) Property, plant and equipment

	For the Year Ended December 31, 2021				
	Beginning Balance	Additions	Disposals	Reclassifi- cations	Ending Balance
<u>Cost</u>					
Land	\$ 475,240	\$ -	\$ -	\$ -	\$ 475,240
Buildings	651,189	-	-	-	651,189
Machinery and equipment	284,278	2,235	(926)	2,354	287,941
Transportation equipment	1,575	-	-	-	1,575
Miscellaneous equipment	<u>37,802</u>	<u>22,784</u>	<u>(8,238)</u>	<u>6,958</u>	<u>59,306</u>
	<u>1,450,084</u>	<u>\$ 25,019</u>	<u>\$ (9,164)</u>	<u>\$ 9,312</u>	<u>1,475,251</u>
<u>Accumulated depreciation</u>					
Buildings	316,659	\$ 16,118	\$ -	\$ -	332,777
Machinery and equipment	112,259	35,434	(863)	-	146,830
Transportation equipment	502	315	-	-	817
Miscellaneous equipment	<u>16,788</u>	<u>14,787</u>	<u>(8,172)</u>	<u>-</u>	<u>23,403</u>
	<u>446,208</u>	<u>\$ 66,654</u>	<u>\$ (9,035)</u>	<u>\$ -</u>	<u>503,827</u>
	<u>\$1,003,876</u>				<u>\$ 971,424</u>
	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassifi- cations	Ending Balance
<u>Cost</u>					
Land	\$ 474,891	\$ -	\$ -	\$ 349	\$ 475,240
Buildings	651,189	-	-	-	651,189
Machinery and equipment	256,560	1,565	(10,097)	36,250	284,278
Transportation equipment	2,489	-	(1,424)	510	1,575
Miscellaneous equipment	<u>41,531</u>	<u>14,392</u>	<u>(18,121)</u>	<u>-</u>	<u>37,802</u>
	<u>1,426,660</u>	<u>\$ 15,957</u>	<u>\$ (29,642)</u>	<u>\$ 37,109</u>	<u>1,450,084</u>
<u>Accumulated depreciation</u>					
Buildings	300,549	\$ 16,110	\$ -	\$ -	316,659
Machinery and equipment	90,273	32,028	(10,042)	-	112,259
Transportation equipment	1,401	525	(1,424)	-	502
Miscellaneous equipment	<u>21,415</u>	<u>13,494</u>	<u>(18,121)</u>	<u>-</u>	<u>16,788</u>
	<u>413,638</u>	<u>\$ 62,157</u>	<u>\$ (29,587)</u>	<u>\$ -</u>	<u>446,208</u>
	<u>\$1,013,022</u>				<u>\$1,003,876</u>

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

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

8) Lease arrangements

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 186	\$ 1,202
Buildings	448	767
Transportation equipment	<u>1,825</u>	<u>1,560</u>
	<u>\$ 2,459</u>	<u>\$ 3,529</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 2,506</u>	<u>\$ 806</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,016	\$ 1,016
Buildings	319	472
Transportation equipment	<u>2,241</u>	<u>2,596</u>
	<u>\$ 3,576</u>	<u>\$ 4,084</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 1,370</u>	<u>\$ 2,870</u>
Non-current	<u>\$ 1,029</u>	<u>\$ 567</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.15%	1.15%
Buildings	1.15%	1.15%
Transportation equipment	1.04%	1.04%

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

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

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 3,179</u>	<u>\$ 2,382</u>
Expenses relating to low-value asset leases	<u>\$ 173</u>	<u>\$ 154</u>
Total cash outflow for leases	<u>\$ (6,896)</u>	<u>\$ (6,670)</u>

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

9) Investment properties

	December 31	
	2021	2020
Land	\$ 20,309	\$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	<u>3,553</u>	<u>3,068</u>
	54,792	54,307
Less: Accumulated depreciation	<u>(20,053)</u>	<u>(19,471)</u>
	<u>\$ 34,739</u>	<u>\$ 34,836</u>

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

Buildings	55 years
Parking garages	49 years

The fair value of investment properties for the years ended December 31, 2021 and 2020 was \$57,892 thousand and \$54,045 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

10) Intangible Assets

	December 31	
	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 14,147	\$ 147
Additions	<u>2,850</u>	<u>14,000</u>
Balance at December 31	<u>\$ 16,997</u>	<u>\$ 14,147</u>

(Continued)

	<u>December 31</u>	
	2021	2020
<u>Accumulated amortization</u>		
Balance at January 1	\$ 757	\$ 8
Amortization expenses	<u>3,038</u>	<u>749</u>
Balance at December 31	<u>\$ 3,795</u>	<u>\$ 757</u>
Carrying amount at January 1	<u>\$ 13,390</u>	<u>\$ 139</u>
Carrying amount at December 31	<u>\$ 13,202</u>	<u>\$ 13,390</u>

(Concluded)

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

Computer software 3-5 years

11) Short-term bank borrowings

	<u>December 31</u>	
	2021	2020
Line of credit borrowings	\$ 2,100,000	\$ -
Letters of credit - due after 180 days of acceptance	<u>65,706</u>	<u>1,161,358</u>
	<u>\$ 2,165,706</u>	<u>\$ 1,161,358</u>
<u>Rate of interest rates per annum (%)</u>		
Line of credit borrowings	0.612-0.88	-
Letters of credit	No more than 0.66	No more than 0.82

12) Other payables

	<u>December 31</u>	
	2021	2020
Payables for compensation to employees	\$ 386,700	\$ 330,272
Payables for remuneration of directors	167,570	143,118
Payables for salaries and bonuses	116,935	117,551
Others	<u>124,915</u>	<u>114,313</u>
	<u>\$ 796,120</u>	<u>\$ 705,254</u>

13) Retirement benefit plans

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 697,718	\$ 676,381
Fair value of plan assets	<u>(537,081)</u>	<u>(567,990)</u>
Net defined benefit liabilities	<u>\$ 160,637</u>	<u>\$ 108,391</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ <u>676,381</u>	\$ <u>(567,990)</u>	\$ <u>108,391</u>
Service costs			
Current service costs	6,883	-	6,883
Net interest expense (income)	<u>2,616</u>	<u>(2,201)</u>	<u>415</u>
Recognized in profit or loss	<u>9,499</u>	<u>(2,201)</u>	<u>7,298</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,877)	(7,877)
Actuarial loss - change in demographic assumptions	11,931	-	11,931
Actuarial profit - changes in financial assumption	(20,773)	-	(20,773)
Actuarial loss - experience adjustments	<u>73,066</u>	<u>-</u>	<u>73,066</u>
Recognized in other comprehensive income	<u>64,224</u>	<u>(7,877)</u>	<u>56,347</u>
Contributions from the employer	-	(8,498)	(8,498)
Benefits paid	<u>(52,386)</u>	<u>49,485</u>	<u>(2,901)</u>
Balance at December 31, 2021	<u>\$ 697,718</u>	<u>\$ (537,081)</u>	<u>\$ 160,637</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 692,214	\$ (497,007)	\$ 195,207
Service costs			
Current service costs	8,312	-	8,312
Net interest expense (income)	5,377	(3,851)	1,526
Recognized in profit or loss	<u>13,689</u>	<u>(3,851)</u>	<u>9,838</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,580)	(16,580)
Actuarial loss - changes in financial assumption	20,485	-	20,485
Actuarial loss - experience adjustments	<u>(41,016)</u>	<u>-</u>	<u>(41,016)</u>
Recognized in other comprehensive income	<u>(20,531)</u>	<u>(16,580)</u>	<u>(37,111)</u>
Contributions from the employer	-	(59,543)	(59,543)
Benefits paid	<u>(8,991)</u>	<u>8,991</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 676,381</u>	<u>\$ (567,990)</u>	<u>\$ 108,391</u> (Concluded)

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

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

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

	<u>December 31</u>	
	2021	2020
Discount rate	0.80%	0.40%
Expected rate of salary increase	2.25%	2.25%

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

	December 31	
	2021	2020
Discount rate		
0.50% increase	<u>\$ (24,580)</u>	<u>\$ (25,447)</u>
0.50% decrease	<u>\$ 26,129</u>	<u>\$ 27,118</u>
Expected rate of salary increase/decrease		
0.50% increase	<u>\$ 25,629</u>	<u>\$ 26,490</u>
0.50% decrease	<u>\$ (24,366)</u>	<u>\$ (25,129)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 7,652</u>	<u>\$ 9,609</u>
Average duration of the defined benefit obligation	7.4 years	7.7 years

14) Equity

a. Common shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>298,984</u>	<u>298,984</u>
Shares issued	<u>\$ 2,989,838</u>	<u>\$ 2,989,838</u>

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 6(16).

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

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

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings in August 2021 and June 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 402,250	\$ 250,244		
Appropriation to special reserve	511,314	393,559		
Cash dividends	2,092,887	1,255,732	\$ 7.0	\$ 4.2

The appropriation of earnings for 2021 had been proposed by the Corporation's board of directors on March 23, 2022. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 460,442	
Special reserve	790,424	
Cash dividends	2,391,870	\$ 8.0

The appropriation of earnings for 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 23, 2022.

15) Revenue

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$23,434,868</u>	<u>\$20,229,413</u>

a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and trade receivables	<u>\$ 1,777,927</u>	<u>\$ 1,834,692</u>	<u>\$ 3,345,543</u>
Contract liabilities-current	<u>\$ 2,413,939</u>	<u>\$ 160,028</u>	<u>\$ 33,916</u>

b. Disaggregation of revenue

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

16) Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Non-Operating Expenses	Total
<u>For the Year Ended December 31, 2021</u>				
Short-term employee benefits				
Salary expenses	\$ 852,357	\$ 334,737	\$ 16,344	\$ 1,203,438
Labor and health insurance costs	65,825	12,948	2,343	81,116
Post-employment benefits				
Defined contribution plans	17,790	2,445	749	20,984
Defined benefit plan	5,392	1,729	177	7,298
Remuneration of directors	-	172,665	-	172,665
Other employee benefits	32,112	2,518	253	34,883
Depreciation expenses	56,352	13,878	582	70,812
Amortization expenses	-	3,038	-	3,038
<u>For the Year Ended December 31, 2020</u>				
Short-term employee benefits				
Salary expenses	713,995	291,023	13,687	1,018,705
Labor and health insurance costs	56,075	12,409	2,376	70,860
Post-employment benefits				
Defined contribution plans	15,956	2,335	674	18,965
Defined benefit plan	7,446	2,154	238	9,838
Remuneration of directors	-	143,118	-	143,118
Other employee benefits	21,403	1,669	227	23,299
Depreciation expenses	51,016	15,225	567	66,808
Amortization expenses	-	749	-	749

- a. As of December 31, 2021 and 2020, the Corporation had 1,254 and 1,118 employees, respectively. Among them, the number of directors not concurrently serving as employees are both 7; the basis of calculation is the same as employee benefits expenses.
- b. The average employee benefits expense was NT\$1,081 thousand and NT\$1,028 thousand for the years ended December 31, 2021 and 2020, respectively.
- c. The average employee salary expense was NT\$965 thousand and NT\$917 thousand for the years ended December 31, 2021 and 2020, respectively.
- d. Average employee salary expenses increased by 5.23%.
- e. The Corporation does not have supervisors.

f. The Corporation's salary and compensation policy is as follows:

- a) The salary and compensation of employees shall be decided in accordance with the Corporation's remuneration management policy and related regulations, with reference to industry practices. It shall be approved by the remuneration committee to ensure the competitiveness of remuneration for the purpose of motivation and retention of talent.
- b) The remuneration of directors shall be decided in accordance with the Corporation's Articles of Incorporation and shall be approved by the remuneration committee.

Employees' compensation and remuneration of directors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 23, 2022 and March 25, 2021, respectively, are as follows:

Cash	For the Year Ended December 31			
	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	6%	\$ 386,700	6%	\$ 330,272
Remuneration of directors	2.6%	167,570	2.6%	143,118

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

17) Taxes

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 303,073	\$ 175,402
Income tax on unappropriated earnings	50,828	28,362
Adjustments for prior years	<u>11,458</u>	<u>8,059</u>
	<u>365,359</u>	<u>211,823</u>
Deferred tax		
In respect of the current year	<u>875,869</u>	<u>826,004</u>
Income tax expense recognized in profit or loss	<u>\$ 1,241,228</u>	<u>\$ 1,037,827</u>

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

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ 1,178,146	\$ 1,006,229
Nondeductible expenses in determining taxable income	40	31
Tax-exempt income	756	(4,854)
Income tax on unappropriated earnings	50,828	28,362
Adjustments for prior years' tax	<u>11,458</u>	<u>8,059</u>
Income tax expense recognized in profit or loss	<u>\$ 1,241,228</u>	<u>\$ 1,037,827</u>

b. Current liabilities

	December 31	
	2021	2020
Current tax liabilities		
Income tax payable	<u>\$ 328,947</u>	<u>\$ 108,191</u>

c. Changes in deferred tax assets and liabilities

	For the Year Ended December 31, 2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 41,288	\$ 37,245	\$ -	\$ 78,533
Defined benefit obligation	18,122	(369)	11,269	29,022
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized provision for loss on inventory	<u>4,160</u>	<u>10,619</u>	<u>-</u>	<u>14,779</u>
	<u>\$ 76,068</u>	<u>\$ 47,495</u>	<u>\$ 11,269</u>	<u>\$ 134,832</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 3,318,173	\$ 925,852	\$ -	\$ 4,244,025
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	<u>4,309</u>	<u>(2,488)</u>	<u>-</u>	<u>1,821</u>
	<u>\$ 3,423,416</u>	<u>\$ 923,364</u>	<u>\$ -</u>	<u>\$ 4,346,780</u>

For the Year Ended December 31, 2020

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

d. Income tax assessments

The income tax returns of the Corporation through 2019 have been assessed by the tax authorities.

18) Earnings per share

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 4,649,502	298,983,800	<u>\$15.55</u>
Effect of potentially dilutive common shares:			
Employees' compensation	<u>-</u>	<u>1,422,252</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	<u>\$ 4,649,502</u>	<u>300,406,052</u>	<u>\$15.48</u>

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

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

19) Capital management

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

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

20) Financial instruments

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

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

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

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

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

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 644,638	\$ 1,563,734
Financial assets at amortized cost	3,377,252	3,514,914
Financial assets at FVTOCI - equity instruments	92,620	92,620
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	6,976,948	6,562,584

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

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

d. Financial risk management objectives and policies

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

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

a) Market risk

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

i. Foreign currency risk

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

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 13.

Sensitivity analysis

The Corporation was mainly exposed to the USD.

Assuming a 1% increase in the NTD against the USD, the pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$15,146 thousand and \$13,110 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, 2021 and 2020.

ii. Interest rate risk

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

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 2,399	\$ 690,599
Cash flow interest rate risk		
Financial assets	1,502,251	1,527,836
Financial liabilities	2,165,706	474,196

Sensitivity analysis

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

If interest rates had been 0.25% higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$1,659 thousand and increased by \$2,634 thousand, respectively.

b) Credit risk

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

- i. The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

- ii. The maximum amount the Corporation would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Corporation's concentration of credit risk was mainly from the top 2 customers, which together accounted for 79% and 62% of the total trade receivables as of December 31, 2021 and 2020, respectively.

c) Liquidity risk

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

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation had available unutilized bank loan facilities of \$5,176,443 thousand and \$4,430,808 thousand, respectively.

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

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

	On Demand or Less Than 1 Year	1-2 Years	2+ Years
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 4,810,975	\$ -	\$ -
Lease liabilities	1,388	877	157
Variable interest rate liabilities	2,165,706	-	-
Financial guarantee liabilities	<u>188,769</u>	<u>97,181</u>	<u>843,678</u>
	<u>\$ 7,166,838</u>	<u>\$ 98,058</u>	<u>\$ 843,835</u>

Additional information about the maturity analysis for lease liabilities.

	Less Than 1 Year	1-5 Years
Lease liabilities	\$ 1,388	\$ 1,034
Financial guarantee liabilities	<u>\$ 188,769</u>	<u>\$ 940,859</u>

<u>December 31, 2020</u>	Less Than 1 Year	1-2 Years	2+ Years
Non-interest bearing liabilities	\$ 5,400,959	\$ -	\$ -
Lease liabilities	2,887	354	218
Variable interest rate liabilities	474,196	-	-
Fixed interest rate liabilities	687,162	-	-
Financial guarantee liabilities	<u>252,938</u>	<u>124,323</u>	<u>810,020</u>
	<u>\$ 6,818,142</u>	<u>\$ 124,677</u>	<u>\$ 810,238</u>

Additional information about the maturity analysis for lease liabilities.

	Less Than 1 Year	1-5 Years
Lease liabilities	<u>\$ 2,887</u>	<u>\$ 572</u>
Financial guarantee liabilities	<u>\$ 252,938</u>	<u>\$ 934,343</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Corporation could be required to settle under the arrangement with an option to demand the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

7. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related Party Categories / Names

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Merida Polska	Subsidiary
Merida Benelux	Subsidiary
Merida & Centurion	Subsidiary
Merida U.K.	Subsidiary
Merida International (SAMOA) Ltd. ("Merida SAMOA")	Subsidiary
Merida Industry (Hong Kong) Co., Ltd. ("Merida Hong Kong")	Subsidiary
Merida Bicycle (China) Co., Ltd. ("Merida China")	Subsidiary
Merida Bicycle (Shandong) Co., Ltd. ("Merida Shandong")	Subsidiary
Merida Bicycle (Jiangsu) Ltd. ("Merida Jiangsu")	Subsidiary
Merida Europe GmbH	Subsidiary
Merida R&D Center GmbH	Subsidiary
Merida Japan	Subsidiary
Miyata	Subsidiary

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Merida Norge	Subsidiary
Merida Sverige AB	Subsidiary
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	Associate
Merida Czech	Associate
Merida Slovakia	Associate
Merida Korea	Associate
Merida Italy	Associate
Wide Doctor	Associate
Rai Bi Bicycle Co., Ltd.	Other
Cheng Shin Rubber Industry Co., Ltd. ("Cheng Shin")	Other
Cheng Shin Rubber (Xiamen) Ind., Ltd. ("Cheng Shin (Xiamen)")	Other
Tianjin Ta Feng Rubber Industry Co., Ltd. ("Tianjin Ta Feng")	Other
Wolfgang Renner	Other

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Associates		
SBC Group	\$ 18,246,993	\$ 15,935,709
Others	<u>1,297,255</u>	<u>864,387</u>
	19,544,248	16,800,096
Subsidiaries	2,326,969	1,839,168
Other related parties	<u>2,409</u>	<u>1,559</u>
	<u>\$ 21,873,626</u>	<u>\$ 18,640,823</u>

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

c. Purchase of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 531,707	\$ 485,944
Others	<u>84,465</u>	<u>83,526</u>
	<u>\$ 616,172</u>	<u>\$ 569,470</u>

The purchase price is quoted based on market prices.

d. Contract liabilities - advance receipts

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Associates		
SBC Group	<u>\$ 2,219,500</u>	<u>\$ -</u>

e. Receivables from related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Trade receivables</u>		
Associates		
SBC Group	\$ 1,386,434	\$ 1,120,335
Others	<u>154,034</u>	<u>106,067</u>
	1,540,468	1,226,402
Subsidiaries	139,857	458,503
Other related parties	<u>-</u>	<u>248</u>
	<u>\$ 1,680,325</u>	<u>\$ 1,685,153</u>
<u>Other receivables</u>		
Subsidiaries		
Merida Shandong	\$ 58,197	\$ 50,420
Merida Polska	-	62,339
Others	<u>9,601</u>	<u>21,045</u>
	67,798	133,804
Associates		
SBC Group	10,679	-
Others	<u>-</u>	<u>529</u>
	<u>10,679</u>	<u>529</u>
	<u>\$ 78,477</u>	<u>\$ 134,333</u>

The aging of receivables from related parties that were past due at the end of the reporting period was as follows (accounted for as other receivables):

	Less than 6 Months	6 Months to 1 Year	Total
<u>December 31, 2020</u>			
Subsidiaries			
Merida Polska	<u>\$ 52,361</u>	<u>\$ 9,978</u>	<u>\$ 62,339</u>

f. Payables to related parties

Related Party Category	December 31	
	2021	2020
<u>Trade payables</u>		
Subsidiaries	\$ 55,167	\$ 85,313
Others	<u>17,951</u>	<u>27,351</u>
	<u>\$ 73,118</u>	<u>\$ 112,664</u>

g. 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	
	2021	2020
Subsidiaries	<u>\$ 146,887</u>	<u>\$ 157,339</u>

2) Interest income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Merida Norge	\$ 7,406	\$ 5,874
Merida Benelux	2,087	3,785
Merida & Centurion	-	4,095
Others	<u>2,169</u>	<u>1,808</u>
	<u>11,662</u>	<u>15,562</u>
Associates		
Merida Korea	5,467	-
Merida Czech	614	3,484
Others	-	<u>3,602</u>
	<u>6,081</u>	<u>7,086</u>
	<u>\$ 17,743</u>	<u>\$ 22,648</u>

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

3) Trademark franchise and technical service revenue

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Merida Shandong	\$ 68,907	\$ 58,137
Merida Jiangsu	7,667	5,210
Merida China	<u>2,982</u>	<u>2,818</u>
	<u>\$ 79,556</u>	<u>\$ 66,165</u>

The Corporation entered into trademark licensing contracts with Merida China and Merida Shandong for agreement to label registered trademarks which were licensed to these companies for the bikes and electric bikes they manufacture and sell. The Corporation calculates and charges royalties for 3% of these companies' annual domestic net sales each year. Furthermore, the Corporation respectively entered into technical service contracts with Merida China, Merida Jiangsu and Merida Shandong to transfer production and management techniques to these companies. The Corporation charges technical service income at 1% of the net sales amount for each company individually every year.

h. Endorsements and guarantees

Related Party Category/Name	Item Endorsed	Amount Endorsed
<u>December 31, 2021</u>		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 24,500
	Bank borrowings	GBP 6,000
	Bank borrowings	RMB210,000
<u>December 31, 2020</u>		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 24,500
	Bank borrowings	USD 3,750
	Bank borrowings	GBP 4,000
	Bank borrowings	RMB 60,000

Refer to Table 2 “Financing provided to others” for the actual amount borrowed by the subsidiaries.

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 234,622	\$ 215,008
Post-employment benefits	<u>639</u>	<u>661</u>
	<u>\$ 235,261</u>	<u>\$ 215,669</u>

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

8. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

No such incident.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials amounted to approximately \$127,089 thousand and \$745,772 thousand, respectively.

b. Unrecognized commitments are as follows:

	December 31	
	2021	2020
Acquisition of property, plant and equipment	<u>\$ 11,088</u>	<u>\$ 32,596</u>

c. Product liability insurance

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

10. SIGNIFICANT LOSSES FROM DISASTERS

No such incident.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such incident.

12. OTHER ITEMS

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

13. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 92,375	27.68	\$2,556,940	\$ 92,323	28.48	\$2,629,359
JPY	177,049	0.2405	42,580	141,257	0.2763	39,029

(Continued)

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Non-monetary items						
Investments						
accounted for using the equity method						
USD	\$ 708,162	27.68	\$19,601,924	\$ 558,163	28.48	\$15,896,482
EUR	25,467	31.32	797,626	19,444	35.02	680,929
JPY	225,464	0.2405	54,224	247,774	0.2763	68,460
POL	13,465	6.8516	92,257	10,039	7.5693	75,988

Financial liabilities

Monetary items

USD	37,657	27.68	1,042,346	46,290	28.48	1,318,339
JPY	1,042,580	0.2405	250,740	3,157,283	0.2763	872,357

(Concluded)

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

Foreign Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains
USD	27.68	\$ 3,614	28.48	\$ 15,540
JPY	0.2405	5,241	0.2763	3,582
EUR	31.32	(112)	35.02	140
		<u>\$ 8,743</u>		<u>\$ 19,262</u>

14. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments.

The Corporation has no outstanding forward contracts as of December 31, 2021 and 2020.

- 10) Information on investees. (Table 7)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes. (Table 2)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Corporation	Merida Polska	Other receivables from related parties	Yes	\$ 86,545	\$ -	\$ -	6.48	For short-term financing needs	\$ -	Operating capital	\$ -	-	\$ -	\$ 7,102,100 (Note 1)	\$ 8,877,625 (Note 3)
		Merida Italy	Other receivables from related parties	Yes	9,651	-	-	4.00	For short-term financing needs	-	Operating capital	-	-	-	1,775,525 (Note 2)	8,877,625 (Note 3)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 70,000	RMB 60,000	RMB 7,800	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 91,695 (Note 4)	RMB 91,695 (Note 4)
2	Merida China	Merida Jiangsu	Other receivables from related parties	Yes	RMB 36,000	RMB 25,000	RMB -	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 31,042 (Note 5)	RMB 31,042 (Note 5)
3	Merida Hong Kong	The Corporation	Other receivables from related parties	Yes	USD 17,000	USD 17,000	USD -	-	For short-term financing needs	-	Operating capital	-	-	-	HKD 203,497 (Note 6)	HKD 203,497 (Note 6)

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

Note 2: 10% of the net assets of the Corporation in their latest financial statements.

Note 3: 50% of the net assets of the Corporation in their latest financial statements.

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

Note 5: 40% of the net assets of Merida China in their latest financial statements.

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$ 5,326,575	EUR 500 GBP 6,000	EUR 500 GBP 6,000	EUR - GBP -	\$ -	1.35	\$ 8,877,625	Yes	-	-
		Merida & Centurion	Subsidiary	5,326,575	EUR 27,000	EUR 27,000	EUR 22,450	-	4.76	8,877,625	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	5,326,575	RMB 210,00 USD 3,750	RMB210,000 USD -	RMB 98,180 USD -	-	5.14	8,877,625	Yes	-	Yes

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)
The Corporation	<u>Mutual funds</u>						
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	19,139	\$ 200,076	-	\$ 200,076
	Yuanta De-Bao Money Market Fund	-	Financial assets at FVTPL - current	8,248	100,046	-	100,046
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	15,781	200,065	-	200,065
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	7,964	100,015	-	100,015
	<u>Share capital</u>						
	Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	3,072	-	3,072
	Cheng Shin	The Corporation's chairman is their director	Financial assets at FVTPL - current	1,146	41,364	-	41,364
	Merida Benelux	-	Financial assets at FVTOCI - non-current	2,749	89,220	-	89,220
	SR Suntour Inc.	-	Financial assets at FVTOCI - non-current	110	3,000	-	3,000
	Taifong Golf Course	-	Financial assets at FVTOCI - non-current	30	400	-	400
	Long Jee Holdings Pte. Ltd.	-	Financial assets at FVTOCI - non-current	330	-	2	-

Note : Refer to Note 6(20) for information on the fair values.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars, Shares and Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
The Corporation	Yuanta Wan-Tai Market Fund	Financial assets at FVTPL - current	-	-	27,706	\$ 350,474	55,263	\$ 700,000	67,188	\$ 851,154	\$ 850,000	\$ 1,154	15,781	\$ 200,065
	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	46,095	480,695	19,139	200,000	46,095	481,319	480,000	1,319	19,139	200,076
	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	23,942	300,100	15,934	200,000	31,912	400,296	400,000	296	7,964	100,015
	Mega Diamond Money Market Fund	Financial assets at FVTPL - current	-	-	16,399	250,177	6,555	100,000	22,954	350,370	350,000	370	-	-

Note: The net asset values are measured as of the balance sheet date.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group Merida & Centurion	Associate	Sale	\$ (18,246,993)	(78)	O/A 60 days	\$ -	-	\$ 1,386,434	78	
		Subsidiary	Sale	(1,080,020)	(5)	D/A or O/A 150 days	-	-	-	-	
	Merida U.K. Merida Korea	Subsidiary	Sale	(259,540)	(1)	O/A 60 days	-	-	-	-	
		Associate	Sale	(302,974)	(1)	T/T 14 days or O/A 120 days	-	-	86,376	5	
	Merida Benelux SAIL & SURF	Subsidiary	Sale	(214,877)	(1)	O/A 180 days	-	-	20,058	1	
		Associate	Sale	(436,160)	(2)	T/T 14 days or D/A 180 days	-	-	12,985	1	
	Merida Bikes SWE	Associate	Sale	(203,183)	(1)	T/T 14 days or O/A 120 days	-	-	-	-	
	Merida Japan	Subsidiary	Sale	(129,605)	(1)	O/A 90 days	-	-	27,857	2	
	Merida Norge	Subsidiary	Sale	(263,695)	(1)	T/T 14 days or D/A 120 days	-	-	16,190	1	
	Merida Jiangsu	Third-tier subsidiary	Sale	(222,017)	(1)	O/A 90 days	-	-	40,616	2	
	Merida Polska	Subsidiary	Sale	(125,625)	(1)	O/A 150 days	-	-	31,563	2	
	Merida Czech	Associate	Sale	(117,878)	(1)	T/T 14 days or D/A 150 days	-	-	-	-	
	Merida Italy	Associate	Sale	(186,494)	(1)	D/A 90 days	-	-	54,672	3	
	Merida China	Third-tier subsidiary	Purchase	405,193	2	T/T 90 days	-	-	(55,167)	(1)	
	Merida Jiangsu	Merida Shandong	Associate	Sale	RMB (170,896)	(75)	T/T 90 days	-	-	RMB 2,082	100

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, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Financial Statement Account	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	SBC Group	Associate	Trade receivables from related parties	\$ 1,386,434	14.56	\$ -	-	\$ 1,386,434	\$ -
	SBC Group	Associate	Other receivables from related parties	10,679	-	-	-	10,679	-

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount			
The Corporation	<u>Share capital</u> SBC	California, United States of America	Design, development, manufacture and sale of bicycles	\$ 887,013	\$ 887,013	3,410	35	\$ 17,065,507	USD 442,314	\$ 4,336,070	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,636,279	USD (273)	(7,638)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	103,725	-	51	543,537	EUR 7,992	135,155	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	86,894	PLN 4,624	24,831	Subsidiary
	Merida Norge	Lysaker, Norway	Sale of bicycles	151,459	151,459	198	75	124,983	NOK 13,567	33,119	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	122,672	EUR 1,625	21,555	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	52,107	CZK 18,980	11,016	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	77,185	EUR 1,638	19,753	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	3,078	(3,138)	(802)	
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	26,362	EUR 339	3,368	
	Merida Japan	Kanagawa, Japan	Sale of bicycles	118,875	118,875	2	90	59,761	JPY (24,790)	(5,699)	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	19,011	19,011	559	27	13,230	EUR 267	2,417	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(41,053)	EUR 1,111	22,107	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	135,554	GBP 1,563	49,000	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	12,881	KRW (11,379)	(112)	
Merida B.V.I.	<u>Share capital</u> Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 65,270	HKD 21,623	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 13,933	USD (4,318)	(Note 1)	Indirectly owned subsidiary
Merida Norge	<u>Share capital</u> Merida Sverige AB	Gothenburg, Sweden	Sale of bicycles	NOK 814	NOK 814	-	100	NOK 7,218	SEK 5,468	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	<u>Share capital</u> Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 1,359	EUR 229	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 325	EUR 15	(Note 1)	Indirectly owned subsidiary
Merida Japan	<u>Share capital</u> Miyata	Kanagawa, Japan	Sale of bicycles	JPY 62,371	JPY 62,371	-	100	JPY 53,701	JPY (8,240)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Cadastral District Number	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
						Outward	Inward						
4403	Merida China	Manufacture and sale of bicycles	\$ 339,910 (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	\$ 306,888 (USD 11,087)	\$ -	\$ -	\$ 306,888 (USD 11,087)	\$ (66,876)	100	\$ (66,876)	\$ 337,116	\$ 1,237,490 (USD 44,707)
3714	Merida Shandong	Manufacture and sale of e-bikes and bicycles	442,880 (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	442,880 (USD 16,000)	-	-	442,880 (USD 16,000)	141,497	100	141,497	995,802	717,549 (USD 25,923)
3206	Merida Jiangsu	Manufacture and sale of bicycles	968,800 (USD 35,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	456,720 (USD 16,500)	-	-	456,720 (USD 16,500)	(120,940)	70	(84,658)	356,282	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA	Accumulated Investment Amount from Taiwan due to Disposal of Companies in Mainland China at the end of the Current Period (Including Sales, Liquidation, Dissolution, Mergers and Bankruptcy)	Repatriation of Investment Income from Disposal of Companies in Mainland China as of the end of the Current Period (Including Sales, Liquidation, Dissolution, Mergers and Bankruptcy)
\$ 1,206,488 (USD 43,587)	\$ 1,265,391 (USD 45,715) (Note 2)	\$ 11,143,034 (Note 3)	\$ -	\$ -

Note 1: The investment gain (loss) and carrying amount as of December 31, 2021 are recognized according to the financial statements audited by the Corporation's independent auditors.

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

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

TABLE 9**MERIDA INDUSTRY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

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

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

Merida Industry Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 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, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prepared in conformity with International Financial Reporting Standard 10 “Consolidated Financial Statements”. The information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Merida Industry Co., Ltd. and subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

MERIDA INDUSTRY CO., LTD.

By:

Michael S. T. Tseng
President

March 23, 2022

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Merida Industry Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is as follows:

Revenue Recognition

The Group's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. As export revenue from the sale of e-bikes for the year ended December 31, 2021 accounted for a significant proportion of sales revenue, recognition of sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

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

1. We understood and evaluated the design and appropriateness of implementation of the internal controls related to the recognition of sales revenue and the operating procedures and risks related to revenue collection, and tested the continuous effectiveness of its related procedures during the year.
2. We obtained the sales revenue receipts from the export of e-bikes, sampled the orders, and subsequently recognized the documents and receipt vouchers related to sales revenue to verify the occurrence of the sales revenue recognized.

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2021 and 2020, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT\$17,065,507 thousand and NT\$13,544,791 thousand, accounting for 48% and 46% of the Group's consolidated total assets as of December 31, 2021 and 2020, respectively. The share of profit of associates was NT\$4,336,070 thousand and NT\$3,359,564 thousand, accounting for 70% and 64% of the Group's consolidated net income before tax for the years ended December 31, 2021 and 2020, respectively.

We have also audited the parent company only financial statements of Merida Industry Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2022

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6(1))	\$ 3,684,856	11	\$ 3,931,022	14
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	644,638	2	1,563,734	5
Notes receivable (Notes 4 and 6(15))	16,797	-	6,954	-
Trade receivables (Notes 4, 6(3), 6(15) and 8)	520,922	2	622,119	2
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,540,677	4	1,226,649	4
Other receivables (Notes 4 and 7)	116,750	-	88,017	-
Inventories (Notes 4, 5, 6(4) and 8)	7,726,125	22	4,990,061	17
Other current assets (Note 6(17))	771,328	2	160,381	1
Total current assets	<u>15,022,093</u>	<u>43</u>	<u>12,588,937</u>	<u>43</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 6(5))	3,400	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 6(7))	17,373,022	49	13,828,216	47
Property, plant and equipment (Notes 4, 6(8), 7 and 8)	2,489,995	7	2,685,572	9
Right-of-use assets (Notes 4 and 6(9))	309,236	1	353,328	1
Investment properties (Notes 4 and 6(10))	34,739	-	34,836	-
Intangible assets (Note 4)	48,599	-	56,399	-
Deferred tax assets (Notes 4 and 6(17))	134,832	-	76,068	-
Prepayments for equipment	68,920	-	28,778	-
Other non-current assets	24,113	-	26,943	-
Total non-current assets	<u>20,486,856</u>	<u>57</u>	<u>17,093,540</u>	<u>57</u>
TOTAL	<u>\$ 35,508,949</u>	<u>100</u>	<u>\$ 29,682,477</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 4, 6(11) and 8)	\$ 2,799,115	8	\$ 1,634,949	6
Contract liabilities - current (Notes 4, 6(15) and 7)	2,413,939	7	160,028	1
Notes payable and trade payables	4,341,804	12	4,996,651	17
Trade payables to related parties (Note 7)	29,235	-	58,689	-
Other payables (Note 6(12))	1,126,240	3	1,084,989	4
Current tax liabilities (Notes 4 and 6(17))	412,493	1	171,422	1
Lease liabilities - current (Notes 4 and 6(9))	38,177	-	41,716	-
Current portion of long-term bank loans (Notes 4, 6(11) and 8)	104,276	-	33,017	-
Other current liabilities	82,160	-	71,352	-
Total current liabilities	<u>11,347,439</u>	<u>31</u>	<u>8,252,813</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4, 6(11) and 8)	997,057	3	994,190	3
Deferred tax liabilities (Notes 4 and 6(17))	4,346,780	12	3,423,416	12
Lease liabilities - non-current (Notes 4 and 6(9))	58,798	-	92,976	-
Net defined benefit liabilities (Notes 4 and 6(13))	160,637	1	108,391	-
Guarantee deposits received	26,514	-	30,104	-
Total non-current liabilities	<u>5,589,786</u>	<u>16</u>	<u>4,649,077</u>	<u>15</u>
Total liabilities	<u>16,937,225</u>	<u>47</u>	<u>12,901,890</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	9	2,989,838	10
Capital surplus				
Share premiums from issuance of ordinary shares	416,290	1	416,290	1
Retained earnings				
Legal reserve	3,135,227	9	2,732,977	9
Special reserve	1,674,362	5	1,163,048	4
Unappropriated earnings	12,004,319	34	10,406,346	35
Other equity	(2,464,786)	(7)	(1,674,363)	(6)
Total equity attributable to owners of the Corporation	<u>17,755,250</u>	<u>51</u>	<u>16,034,136</u>	<u>53</u>
NON-CONTROLLING INTERESTS				
Total equity	<u>18,571,724</u>	<u>53</u>	<u>16,780,587</u>	<u>56</u>
TOTAL	<u>\$ 35,508,949</u>	<u>100</u>	<u>\$ 29,682,477</u>	<u>100</u>

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 29,391,183	100	\$ 27,072,342	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>25,304,229</u>	<u>86</u>	<u>23,285,132</u>	<u>86</u>
GROSS PROFIT	4,086,954	14	3,787,210	14
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(186,834)</u>	<u>(1)</u>	<u>278,539</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>3,900,120</u>	<u>13</u>	<u>4,065,749</u>	<u>15</u>
OPERATING EXPENSES (Note 6(16))				
Selling and marketing expenses	1,083,798	4	1,046,703	4
General and administrative expenses	<u>1,226,946</u>	<u>4</u>	<u>1,134,824</u>	<u>4</u>
Total operating expenses	<u>2,310,744</u>	<u>8</u>	<u>2,181,527</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>1,589,376</u>	<u>5</u>	<u>1,884,222</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 7)	23,906	-	34,325	-
Other income	115,023	-	167,307	1
Net foreign exchange gains (losses) (Notes 4 and 13)	160,694	1	(131,819)	-
Gain (losses) on fair value changes of financial assets at fair value through profit or loss (Note 4)	(5,639)	-	23,716	-
Share of profit of subsidiaries and associates (Notes 4 and 6(7))	4,393,265	15	3,385,363	13
Interest expense	(47,422)	-	(52,006)	-
Other expenses	<u>(24,450)</u>	<u>-</u>	<u>(70,291)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,615,377</u>	<u>16</u>	<u>3,356,595</u>	<u>14</u>
PROFIT BEFORE INCOME TAX	6,204,753	21	5,240,817	21
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,416,583</u>	<u>5</u>	<u>1,128,670</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>4,788,170</u>	<u>16</u>	<u>4,112,147</u>	<u>17</u>

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 6(13))	\$ (56,347)	-	\$ 37,111	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>11,269</u>	<u>-</u>	<u>(7,422)</u>	<u>-</u>
	<u>(45,078)</u>	<u>-</u>	<u>29,689</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(651,307)	(2)	(620,017)	(2)
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 6(7))	<u>(207,761)</u>	<u>(1)</u>	<u>129,124</u>	<u>-</u>
	<u>(859,068)</u>	<u>(3)</u>	<u>(490,893)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(904,146)</u>	<u>(3)</u>	<u>(461,204)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,884,024</u>	<u>13</u>	<u>\$ 3,650,943</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 4,649,502	16	\$ 3,993,317	15
Non-controlling interests	<u>138,668</u>	<u>-</u>	<u>118,830</u>	<u>-</u>
	<u>\$ 4,788,170</u>	<u>16</u>	<u>\$ 4,112,147</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,814,001	13	\$ 3,511,692	13
Non-controlling interests	<u>70,023</u>	<u>-</u>	<u>139,251</u>	<u>1</u>
	<u>\$ 3,884,024</u>	<u>13</u>	<u>\$ 3,650,943</u>	<u>14</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 15.55</u>		<u>\$ 13.36</u>	
Diluted	<u>\$ 15.48</u>		<u>\$ 13.27</u>	

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation					Other Equity (Note 4) Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interest (Note 6(6))	Total
	Common Shares (Note 6(14))	Capital Surplus Share Premium from Issuance of Common Share (Note 6(14))	Retained Earnings (Note 6(14))						
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2020	\$ 2,989,838	\$ 416,290	\$ 2,482,733	\$ 769,489	\$ 8,283,384	\$ (1,163,049)	\$ 13,778,685	\$ 625,175	\$ 14,403,860
Appropriation of 2019 earnings									
Legal reserve	-	-	250,244	-	(250,244)	-	-	-	-
Special reserve	-	-	-	393,559	(393,559)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,255,732)	-	(1,255,732)	(3,289)	(1,259,021)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	-	-	(509)	-	(509)	509	-
Changes in non-controlling interests	-	-	-	-	-	-	-	(15,195)	(15,195)
Net profit for the year ended December 31, 2020	-	-	-	-	3,993,317	-	3,993,317	118,830	4,112,147
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	29,689	(511,314)	(481,625)	20,421	(461,204)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	4,023,006	(511,314)	3,511,692	139,251	3,650,943
BALANCE AT DECEMBER 31, 2020	2,989,838	416,290	2,732,977	1,163,048	10,406,346	(1,674,363)	16,034,136	746,451	16,780,587
Appropriation of 2020 earnings									
Legal reserve	-	-	402,250	-	(402,250)	-	-	-	-
Special reserve	-	-	-	511,314	(511,314)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,092,887)	-	(2,092,887)	-	(2,092,887)
Net profit for the year ended December 31, 2021	-	-	-	-	4,649,502	-	4,649,502	138,668	4,788,170
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(45,078)	(790,423)	(835,501)	(68,645)	(904,146)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,604,424	(790,423)	3,814,001	70,023	3,884,024
BALANCE AT DECEMBER 31, 2021	\$ 2,989,838	\$ 416,290	\$ 3,135,227	\$ 1,674,362	\$ 12,004,319	\$ (2,464,786)	\$ 17,755,250	\$ 816,474	\$ 18,571,724

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 6,204,753	\$ 5,240,817
Adjustments for:		
Depreciation expenses	274,758	268,297
Amortization expenses	10,170	7,908
Expected credit loss recognized on trade receivables	6,466	6,637
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	5,639	(23,716)
Interest expense	47,422	52,006
Interest income	(23,906)	(34,325)
Dividend income	(1,854)	(1,389)
Share of profit of associates	(4,393,265)	(3,385,363)
Loss on disposal of property, plant and equipment	484	858
Write-down of inventories	58,283	1,315
Unrealized (realized) loss on transactions with associates	186,834	(278,539)
Unrealized net gain on foreign currency exchange	(8,283)	(10,529)
Gain on lease modification	(1,417)	(774)
Loss on disposal of right-of-use assets	-	8,225
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	913,457	(461,209)
Notes receivable	(9,849)	5,344
Trade receivables	(267,799)	638,137
Other receivables	(4,397)	529,822
Inventories	(2,943,460)	(331,846)
Other current assets	(633,103)	(23,847)
Contract liabilities	2,253,911	126,112
Notes payable and trade payables	(663,673)	559,051
Other payables	64,860	(260,186)
Other current liabilities	17,280	2,304
Net defined benefit liabilities	(4,101)	(49,705)
Cash generated from operations	1,089,210	2,585,405
Interest received	19,405	45,414
Dividends received	6,819	1,389
Interest paid	(46,176)	(52,966)
Income tax paid	(281,557)	(466,876)
Net cash generated from operating activities	<u>787,701</u>	<u>2,112,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments accounted for using equity method	-	(13,848)
Acquisition for property, plant and equipment	(94,376)	(419,566)
Proceeds from disposal of property, plant and equipment	944	1,271
Increase in refundable deposits	(860)	(5,530)

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 23, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

See Note 6(6), and Tables 8 and 9 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

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

h. Property, plant, and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

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

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 6(20).

ii. Financial assets at amortized cost

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

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Revenue recognition

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

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

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

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

o. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of inventories

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

6. EXPLANATION OF IMPORTANT ACCOUNTING ITEMS

1) Cash and cash equivalents

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 2,105	\$ 2,973
Checking accounts and demand deposits	3,287,496	3,530,520
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>395,255</u>	<u>397,529</u>
	<u>\$ 3,684,856</u>	<u>\$ 3,931,022</u>
Time deposit interest rate per annum (%)	1.89-2.10	0.66-2.20

2) Financial instruments at fair value through profit or loss

	<u>December 31</u>	
	2021	2020
Financial assets		
Non-derivative financial assets		
Mutual funds	\$ 600,202	\$ 1,511,654
Domestic listed shares	<u>44,436</u>	<u>52,080</u>
Financial assets at FVTPL - current	<u>\$ 644,638</u>	<u>\$ 1,563,734</u>

3) Trade receivables

	December 31	
	2021	2020
Trade receivables	\$ 2,075,285	\$ 1,867,419
Less: Allowance for impairment loss	<u>(13,686)</u>	<u>(18,651)</u>
	<u>\$ 2,061,599</u>	<u>\$ 1,848,768</u>

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2021

	Not Past Due	Past due up to 3 months	Total
Expected credit loss rate	0%-1%	3%	
Gross carrying amount	\$ 2,036,380	\$ 38,905	\$ 2,075,285
Loss allowance (Lifetime ECLs)	<u>(12,519)</u>	<u>(1,167)</u>	<u>(13,686)</u>
Amortized cost	<u>\$ 2,023,861</u>	<u>\$ 37,738</u>	<u>\$ 2,061,599</u>

December 31, 2020

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

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 18,651	\$ 26,572
Add: Net remeasurement of loss allowance	6,466	6,637
Less: Amounts written off	(10,015)	(14,773)
Foreign exchange differences	<u>(1,416)</u>	<u>215</u>
Balance at December 31	<u>\$ 13,686</u>	<u>\$ 18,651</u>

4) Inventories

	December 31	
	2021	2020
Finished goods	\$ 2,934,418	\$ 2,442,959
Work in progress	349,771	830,436
Raw materials and supplies	4,340,965	1,647,428
Inventory in transit	<u>100,971</u>	<u>69,238</u>
	<u>\$ 7,726,125</u>	<u>\$ 4,990,061</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$25,304,229 thousand and \$23,285,132 thousand, respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$58,283 thousand and \$1,315, respectively.

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

5) Financial assets at fair value through other comprehensive income

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic unlisted ordinary shares	<u>\$ 3,400</u>	<u>\$ 3,400</u>

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

6) Subsidiaries

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership (%)	
		2021	2020
The Corporation	Merida International (B.V.I) Ltd. ("Merida B.V.I.")	100	100
	Merida & Centurion Germany GmbH (Merida & Centurion)	51	51
	Merida Benelux B.V. ("Merida Benelux")	60	60
	Merida Polska Sp.z.o.o ("Merida Polska")	74	74
	Merida Bicycles Ltd. ("Merida U.K.")	81	81
	Merida Japan Co., Ltd. ("Merida Japan")	90	90
	Merida Norge As. ("Merida Norge")	75	75
Merida B.V.I.	Merida Industry (Hong Kong) Co., Ltd. ("Merida Hong Kong")	100	100
	Merida International (SAMOA) Ltd. ("Merida SAMOA")	70	70
Merida Hong Kong	Merida Bicycle (China) Co., Ltd. ("Merida China")	100	100
	Merida Bicycle (Shandong) Co., Ltd. ("Merida Shandong")	100	100
Merida SAMOA	Merida Bicycle (Jiangsu) Ltd. ("Merida Jiangsu")	100	100
Merida Norge	Merida Sverige AB ("Sverige")	100	100
Merida Japan	Miyata Cycle Co., Ltd. ("Miyata")	100	100
Merida &Centurion	Merida Europe GmbH	100	100
	Merida R&D Center GmbH	100	100

Stians Sport AS was renamed as Merida Norge AS in May 2020, while Miyata Cycle Co., Ltd. was renamed as Merida Japan Co., Ltd. in July 2020. Due to business needs, Merida Japan Co. Co., Ltd. established a new company, Miyata Cycle Co., Ltd. The Corporation acquired 400 ordinary shares of Merida Japan Co., Ltd. through cash in the amount of \$15,195 thousand. After the acquisition, the Corporation's shareholding proportion increased to 90%.

The financial statements of all subsidiaries have been audited.

Refer to Tables 8 and 9 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%)	
	December 31	
	2021	2020
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	
	2021	2020
Current assets	\$ 658,465	\$ 529,246
Non-current assets	770,708	830,711
Current liabilities	(481,176)	(419,732)
Non-current liabilities	<u>(397,048)</u>	<u>(263,410)</u>
Equity	<u>\$ 550,949</u>	<u>\$ 676,815</u>
Equity attributable to:		
Owners of Merida SAMOA	\$ 385,664	\$ 473,770
Non-controlling interests of Merida SAMOA	<u>165,285</u>	<u>203,045</u>
	<u>\$ 550,949</u>	<u>\$ 676,815</u>
	For the Year Ended December 31	
	2021	2020
Revenue	<u>\$ 988,347</u>	<u>\$ 738,498</u>
Net loss for the year	\$ (120,948)	\$ (73,958)
Other comprehensive loss for the year	<u>12,822</u>	<u>43,703</u>
Total comprehensive loss for the year	<u>\$ (108,126)</u>	<u>\$ (30,255)</u>
Loss attributable to:		
Owners of Merida SAMOA	\$ (84,664)	\$ (51,771)
Non-controlling interests of Merida SAMOA	<u>(36,284)</u>	<u>(22,187)</u>
	<u>\$ (120,948)</u>	<u>\$ (73,958)</u>
Total comprehensive loss attributable to:		
Owners of Merida SAMOA	\$ (75,688)	\$ (21,179)
Non-controlling interests of Merida SAMOA	<u>(32,438)</u>	<u>(9,076)</u>
	<u>\$ (108,126)</u>	<u>\$ (30,255)</u>

	For the Year Ended December 31	
	2021	2020
Net cash outflow from:		
Operating activities	\$ (57,892)	\$ (63,364)
Investing activities	17,421	66,228
Financing activities	<u>187,566</u>	<u>(47,888)</u>
Net cash outflow	<u>\$ 112,253</u>	<u>\$ 45,024</u>

7) Investments accounted for using the equity method

	December 31	
	2021	2020
<u>Unlisted shares</u>		
Specialized Bicycle Components, Inc. (“SBC”)	\$ 17,065,507	\$ 13,544,791
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	122,672	114,561
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	77,185	70,268
Merida Czech s.r.o (“Merida Czech”)	52,107	42,587
Merida Slovakia s.r.o (“Merida Slovakia”)	26,362	25,978
Merida Korea Inc. (“Merida Korea”)	12,881	14,329
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	3,078	3,880
Merida Italy S.r.a (“Merida Italy”)	<u>13,230</u>	<u>11,822</u>
	<u>\$ 17,373,022</u>	<u>\$ 13,828,216</u>

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

	December 31	
	2021	2020
SBC	35%	35%
SAIL & SURF	40%	40%
Merida Bikes SWE	36%	36%
Merida Czech	45%	45%
Merida Slovakia	30%	30%
Merida Korea	40%	40%
WideDoctor	26%	26%
Merida Italy	27%	27%

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

The aggregate financial information of associates is as follows:

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Profit for the year	\$ 4,393,265	\$ 3,385,363
Other comprehensive loss for the year	<u>(207,761)</u>	<u>129,124</u>
 Total comprehensive income for the year	 <u>\$ 4,185,504</u>	 <u>\$ 3,514,487</u>

Except for Merida Italy for the year ended December 31, 2020, 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 this associate which has not been audited.

8) Property, plant and equipment

	For the Year Ended December 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassifi- cations	Effect of Foreign Currency Exchange Difference	Ending Balance
<u>Cost</u>						
Land	\$ 476,011	\$ -	\$ -	\$ -	\$ (73)	\$ 475,938
Buildings	2,345,577	46,621	(5,427)	409,228	(75,597)	2,720,402
Machinery and equipment	1,247,837	12,623	(7,340)	10,442	(8,418)	1,255,144
Transportation equipment	34,733	4,750	(310)	-	(1,968)	37,205
Miscellaneous equipment	210,084	30,091	(10,182)	6,958	(7,033)	229,918
Construction in progress	434,193	291	-	(411,017)	(22,972)	495
	<u>4,748,435</u>	<u>\$ 94,376</u>	<u>\$ (23,259)</u>	<u>\$ 15,611</u>	<u>\$ (116,061)</u>	<u>4,719,102</u>
 <u>Accumulated depreciation</u>						
Buildings	1,056,542	\$ 104,100	\$ (4,899)	\$ -	\$ (18,774)	1,136,969
Machinery and equipment	813,500	91,872	(6,635)	-	(6,322)	892,415
Transportation equipment	27,158	1,999	(310)	-	(1,332)	27,515
Miscellaneous equipment	165,663	22,250	(9,987)	-	(5,718)	172,208
	<u>2,062,863</u>	<u>\$ 220,221</u>	<u>\$ (21,831)</u>	<u>\$ -</u>	<u>\$ (32,146)</u>	<u>2,229,107</u>
	 <u>\$ 2,685,572</u>					 <u>\$ 2,489,995</u>

For the Year Ended December 31, 2020

	Beginning Balance	Additions	Disposals	Reclassifi- cations	Effect of Foreign Currency Exchange Difference	Ending Balance
<u>Cost</u>						
Land	\$ 475,694	\$ -	\$ -	\$ 349	\$ (32)	\$ 476,011
Buildings	2,284,701	34,469	(9,753)	-	36,160	2,345,577
Machinery and equipment	1,202,637	14,161	(19,188)	36,250	13,977	1,247,837
Transportation equipment	35,984	1,779	(3,171)	509	(368)	34,733
Miscellaneous equipment	205,950	23,389	(21,030)	26	1,749	210,084
Construction in progress	<u>72,260</u>	<u>345,768</u>	<u>(295)</u>	<u>-</u>	<u>16,460</u>	<u>434,193</u>
	<u>4,277,226</u>	<u>\$ 419,566</u>	<u>\$ (53,437)</u>	<u>\$ 37,134</u>	<u>\$ 67,946</u>	<u>4,748,435</u>
<u>Accumulated depreciation</u>						
Buildings	955,197	\$ 95,653	\$ (9,148)	\$ -	\$ 14,840	1,056,542
Machinery and equipment	733,184	87,734	(18,213)	-	10,795	813,500
Transportation equipment	27,875	2,508	(2,968)	-	(257)	27,158
Miscellaneous equipment	<u>160,179</u>	<u>24,843</u>	<u>(20,979)</u>	<u>26</u>	<u>1,594</u>	<u>165,663</u>
	<u>1,876,435</u>	<u>\$ 210,738</u>	<u>\$ (51,308)</u>	<u>\$ 26</u>	<u>\$ 26,972</u>	<u>2,062,863</u>
	<u>\$ 2,400,791</u>					<u>\$ 2,685,572</u>

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

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

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

9) Lease arrangements

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 220,316	\$ 232,104
Buildings	72,018	102,236
Machinery	118	262
Transportation equipment	15,826	17,392
Miscellaneous equipment	<u>958</u>	<u>1,334</u>
	<u>\$ 309,236</u>	<u>\$ 353,328</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	\$ <u>19,829</u>	\$ <u>42,592</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,649	\$ 11,269
Buildings	32,441	33,816
Machinery	125	131
Transportation equipment	11,239	11,244
Miscellaneous equipment	<u>501</u>	<u>532</u>
	<u>\$ 53,955</u>	<u>\$ 56,992</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ <u>38,177</u>	\$ <u>41,716</u>
Non-current	\$ <u>58,798</u>	\$ <u>92,976</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.15%-1.64%	1.15%-1.50%
Buildings	1.15%-4.60%	1.15%-4.60%
Machinery	1.64%	1.50%
Transportation equipment	0.80%-3.00%	0.80%-3.00%
Miscellaneous equipment	0.80%-2.90%	0.80%-1.50%

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

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

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

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ <u>27,390</u>	\$ <u>20,388</u>
Expenses relating to low-value asset leases	\$ <u>2,249</u>	\$ <u>2,268</u>
Total cash outflow for leases	\$ <u>75,694</u>	\$ <u>72,329</u>

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

10) Investment properties

	December 31	
	2021	2020
Land	\$ 20,309	\$ 20,309
Buildings	23,977	23,977
Parking garages	6,953	6,953
Air-conditioning units	<u>3,553</u>	<u>3,068</u>
	54,792	54,307
Less: Accumulated depreciation	<u>(20,053)</u>	<u>(19,471)</u>
	<u>\$ 34,739</u>	<u>\$ 34,836</u>

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

Buildings	55 years
Parking garages	49 years

The fair value of investment properties for the years ended December 31, 2021 and 2020 was \$57,892 thousand and \$54,045 thousand, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

11) Borrowings

a. Short-term bank borrowings

	December 31	
	2021	2020
Line of credit borrowings	\$ 2,445,217	\$ 452,829
Letters of credit - due after 180 days of acceptance	65,706	1,161,358
Secured borrowings (Note 8)	<u>288,192</u>	<u>20,762</u>
	<u>\$ 2,799,115</u>	<u>\$ 1,634,949</u>
<u>Rate of interest rates per annum (%)</u>		
Line of credit borrowings	0.61-4.10	0.90-4.35
Letters of credit	No more than 0.66	No more than 0.82
Secured borrowings	1.80-4.49	1.90-2.20

b. Long-term bank borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Unsecured loans</u>		
Bank loans (1)	\$ 1,101,333	\$ 1,020,888
<u>Secured loans</u> (Note 8)		
Mortgaged loans (2)	-	6,319
	1,101,333	1,027,207
Less: Current portion	<u>(104,276)</u>	<u>(33,017)</u>
Long-term borrowings	<u>\$ 997,057</u>	<u>\$ 994,190</u>

- 1) The bank loans were due in July 2026. As of December 31, 2021 and 2020, the effective interest rate range of the bank loans was 0.50%-4.65% and 0.80%-4.65% per annum, respectively.
- 2) As of December 31, 2020 the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land, buildings, trade receivables and inventories (see Note 8) was 1.53% per annum. Such loans are due in September and October 2021.

12) Other payables

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Payables for compensation to employees	\$ 386,700	\$ 330,272
Payables for remuneration of directors	167,570	143,118
Payables for salaries and bonuses	155,544	155,590
Others	<u>416,426</u>	<u>456,009</u>
	<u>\$ 1,126,240</u>	<u>\$ 1,084,989</u>

13) Retirement benefit plans

a. Defined contribution plans

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

Merida & Centurion, Merida Europe GmbH, Merida R&D Center GmbH, Merida Benelux, Merida Polska, Merida U.K., Japan, Miyata, Norge and Sverige do not have established pension plans but pay annuity and certain types of insurance under the local regulations. Merida China, Merida Shandong and Merida Jiangsu pay a basic endowment insurance for its local employees on a monthly basis under the regulations of local governments. The related departments of the local governments have the authority to arrange and pay the employees' pensions. The aforementioned 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 plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation 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	
	2021	2020
Present value of defined benefit obligation	\$ 697,718	\$ 676,381
Fair value of plan assets	<u>(537,081)</u>	<u>(567,990)</u>
Net defined benefit liabilities	<u>\$ 160,637</u>	<u>\$ 108,391</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ <u>676,381</u>	\$ <u>(567,990)</u>	\$ <u>108,391</u>
Service costs			
Current service costs	6,883	-	6,883
Net interest expense (income)	<u>2,616</u>	<u>(2,201)</u>	<u>415</u>
Recognized in profit or loss	<u>9,499</u>	<u>(2,201)</u>	<u>7,298</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,877)	(7,877)
Actuarial loss - change in demographic assumptions	11,931	-	11,931
Actuarial gain - changes in financial assumption	(20,773)	-	(20,773)
Actuarial loss - experience adjustments	<u>73,066</u>	<u>-</u>	<u>73,066</u>
Recognized in other comprehensive income	<u>64,224</u>	<u>(7,877)</u>	<u>56,347</u>
Contributions from the employer	-	(8,498)	(8,498)
Benefits paid	<u>(52,386)</u>	<u>49,485</u>	<u>(2,901)</u>
Balance at December 31, 2021	<u>\$ 697,718</u>	<u>\$ (537,081)</u>	<u>\$ 160,637</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	\$ 692,214	\$ (497,007)	\$ 195,207
Service costs			
Current service costs	8,312	-	8,312
Net interest expense (income)	5,377	(3,851)	1,526
Recognized in profit or loss	<u>13,689</u>	<u>(3,851)</u>	<u>9,838</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,580)	(16,580)
Actuarial loss - changes in financial assumption	20,485	-	20,485
Actuarial loss - experience adjustments	<u>(41,016)</u>	<u>-</u>	<u>(41,016)</u>
Recognized in other comprehensive income	<u>(20,531)</u>	<u>(16,580)</u>	<u>(37,111)</u>
Contributions from the employer	-	(59,543)	(59,543)
Benefits paid	<u>(8,991)</u>	<u>8,991</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 676,381</u>	<u>\$ (567,990)</u>	<u>\$ 108,391</u>

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

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

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

	December 31	
	2021	2020
Discount rate	0.80%	0.40%
Expected rate of salary increase	2.25%	2.25%

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

	December 31	
	2021	2020
Discount rate		
0.50% increase	<u>\$ (24,580)</u>	<u>\$ (25,447)</u>
0.50% decrease	<u>\$ 26,129</u>	<u>\$ 27,118</u>
Expected rate of salary increase/decrease		
0.50% increase	<u>\$ 25,629</u>	<u>\$ 26,490</u>
0.50% decrease	<u>\$ (24,366)</u>	<u>\$ (25,129)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 7,652</u>	<u>\$ 9,609</u>
Average duration of the defined benefit obligation	7.4 years	7.7 years

14) Equity

a. Common shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>298,984</u>	<u>298,984</u>
Shares issued	<u>\$ 2,989,838</u>	<u>\$ 2,989,838</u>

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 6(16).

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

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

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings in August 2021 and June 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 402,250	\$ 250,244		
Appropriation to (Reversal of) special reserve	511,314	393,559		
Cash dividends	2,092,887	1,255,732	\$ 7.0	\$ 4.2

The appropriation of earnings for 2021 had been proposed by the Corporation's board of directors on March 23, 2022. The appropriations and dividend per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 460,442	
Special reserve	790,424	
Cash dividends	2,391,870	\$ 8.0

The appropriation of earnings for 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 23, 2022.

15) Revenue

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$29,391,183</u>	<u>\$27,072,342</u>

a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and trade receivables	<u>\$ 2,078,396</u>	<u>\$ 1,855,722</u>	<u>\$ 2,516,710</u>
Contract liabilities - current	<u>\$ 2,413,939</u>	<u>\$ 160,028</u>	<u>\$ 33,916</u>

b. Disaggregation of revenue

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

16) Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2021</u>			
Short-term employee benefits	\$ 1,183,164	\$ 953,538	\$ 2,136,702
Post-employment benefits			
Defined contribution plans	43,206	30,142	73,348
Defined benefit plan	5,393	1,905	7,298
Other employee benefits	39,720	212,375	252,095
Depreciation expenses	151,050	123,708	274,758
Amortization expenses	2	10,168	10,170

For the Year Ended December 31, 2020

Short-term employee benefits	1,011,862	871,128	1,882,990
Post-employment benefits			
Defined contribution plans	17,945	16,179	34,124
Defined benefit plan	7,446	2,392	9,838
Other employee benefits	27,173	171,965	199,138
Depreciation expenses	145,611	122,686	268,297
Amortization expenses	2	7,906	7,908

Employees' compensation and remuneration of directors

According to the Corporation's Articles of Incorporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which have been approved by the Corporation's board of directors on March 23, 2022 and March 25, 2021, respectively, are as follows:

	For the Year Ended December 31			
	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Cash				
Employees' compensation	6%	\$ 386,700	6%	\$ 330,272
Remuneration of directors	2.6%	167,570	2.6%	143,118

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

17) Taxes

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 478,421	\$ 266,233
Income tax on unappropriated earnings	50,828	28,362
Adjustments for prior years	<u>11,465</u>	<u>8,071</u>
	<u>540,714</u>	<u>302,666</u>
Deferred tax		
In respect of the current year	<u>875,869</u>	<u>826,004</u>
Income tax expense recognized in profit or loss	<u>\$ 1,416,583</u>	<u>\$ 1,128,670</u>

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

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate	\$ 1,305,715	\$ 1,073,859
Nondeductible expenses in determining taxable income	655	568
Tax-exempt income	756	(4,854)
Income tax on unappropriated earnings	50,828	28,362
Unrecognized deductible temporary differences	299	2,737
Unrecognized loss carryforwards	46,865	19,927
Adjustments for prior years' tax	<u>11,465</u>	<u>8,071</u>
Income tax expense recognized in profit or loss	<u>\$ 1,416,583</u>	<u>\$ 1,128,670</u>

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

b. Current tax liabilities

	December 31	
	2021	2020
Current tax assets		
Advance income tax (recognized as other current assets)	<u>\$ 42,882</u>	<u>\$ 55,432</u>
Current tax liabilities		
Income tax payable	<u>\$ 412,493</u>	<u>\$ 171,422</u>

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 2,601,979	\$ 716,194	\$ -	\$ 3,318,173
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	-	4,309	-	4,309
	<u>\$ 2,702,913</u>	<u>\$ 720,503</u>	<u>\$ -</u>	<u>\$ 3,423,416</u> (Concluded)

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

	December 31	
	2021	2020
Loss carryforwards	\$ 867,753	\$ 684,876
Deductible temporary differences	47,138	46,275
	<u>\$ 914,891</u>	<u>\$ 731,151</u>

- e. Income tax assessments

The income tax returns of the Corporation through 2019 have been assessed by the tax authorities.

18) Earnings per share

	Net Profit Attributable to Owners of the Corporation	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 4,649,502	298,983,800	<u>\$15.55</u>
Effect of potentially dilutive common shares:			
Employees' compensation	-	1,422,252	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common shares	<u>\$ 4,649,502</u>	<u>300,406,052</u>	<u>\$15.48</u>

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

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

19) 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.

20) Financial instruments

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

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

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

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

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

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 644,638	\$ 1,563,734
Financial assets at amortized cost	5,897,635	5,892,621
Financial assets at FVTOCI - Equity instruments	3,400	3,400
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	9,424,241	8,832,589

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

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

d. Financial risk management objectives and policies

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

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

a) Market risk

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

i. Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 13.

Sensitivity analysis

The Group was mainly exposed to the USD.

Assuming a 1% increase in the NTD against the USD, the pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$20,787 thousand and \$20,176 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, 2021 and 2020.

ii. Interest rate risk

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

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial assets	\$ 395,255	\$ 397,529
Financial liabilities	563,867	1,298,797
Cash flow interest rate risk		
Financial assets	3,287,496	3,524,569
Financial liabilities	3,433,556	1,498,051

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, 2021 and 2020 would have decreased by \$365 thousand and increased by \$5,066 thousand, respectively.

b) Credit risk

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

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

The Group's concentration of credit risk was mainly from customer A, which accounted for 67% and 60% of the total trade receivables as of December 31, 2021 and 2020, respectively.

c) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities of \$6,778,709 thousand and \$6,673,589 thousand, respectively.

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

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

	On Demand or Less than 1 Year	1-2 Years	More than 2 Years
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 5,497,279	\$ -	\$ -
Lease liabilities	40,092	34,030	26,313
Variable interest rate liabilities	2,584,773	81,693	767,090
Fixed interest rate liabilities	<u>318,618</u>	<u>55,289</u>	<u>92,985</u>
	<u>\$ 8,440,762</u>	<u>\$ 171,012</u>	<u>\$ 886,388</u>

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

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 40,092</u>	<u>\$ 60,343</u>	<u>\$ -</u>
Variable interest rate liabilities	<u>\$ 2,584,773</u>	<u>\$ 848,783</u>	<u>\$ -</u>
Fixed interest rate liabilities	<u>\$ 318,618</u>	<u>\$ 124,224</u>	<u>\$ 24,050</u>

<u>December 31, 2020</u>	On Demand or Less than 1 Year	1-2 Years	More than 2 Years
Non-interest bearing liabilities	\$ 6,140,329	\$ -	\$ -
Lease liabilities	43,517	37,819	56,416
Variable interest rate liabilities	823,051	2,616	672,384
Fixed interest rate liabilities	<u>844,915</u>	<u>122,721</u>	<u>196,469</u>
	<u>\$ 7,851,812</u>	<u>\$ 163,156</u>	<u>\$ 925,269</u>

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

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 43,517</u>	<u>\$ 94,235</u>	<u>\$ -</u>
Variable interest rate liabilities	<u>\$ 823,051</u>	<u>\$ 212,736</u>	<u>\$ 462,264</u>
Fixed interest rate liabilities	<u>\$ 844,915</u>	<u>\$ 314,516</u>	<u>\$ 4,674</u>

7. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Categories/Names

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

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Associates		
SBC Group	\$ 18,246,993	\$ 15,935,709
Others	<u>1,298,820</u>	<u>867,865</u>
	19,545,813	16,803,574
Others	<u>2,409</u>	<u>1,559</u>
	<u>\$ 19,548,222</u>	<u>\$ 16,805,133</u>

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

c. Purchase of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Other related parties	\$ 320,173	\$ 242,857
Associates	<u>-</u>	<u>2,948</u>
	<u>\$ 320,173</u>	<u>\$ 245,805</u>

The purchase price is quoted based on market prices.

d. Contract liabilities - advance receipts

Related Party Category/Name	December 31	
	2021	2020
Associates		
SBC Group	<u>\$ 2,219,500</u>	<u>\$ -</u>

e. Receivables from related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Trade receivables</u>		
Associates		
SBC Group	\$ 1,386,434	\$ 1,120,335
Others	154,243	106,067
Other related parties	<u>-</u>	<u>247</u>
	<u>\$ 1,540,677</u>	<u>\$ 1,226,649</u>
<u>Other receivables</u>		
Associates	<u>\$ 10,679</u>	<u>\$ 529</u>

f. Payables to related parties

Related Party Category	December 31	
	2021	2020
<u>Trade payables</u>		
Other related parties	<u>\$ 29,235</u>	<u>\$ 58,689</u>

g. Other transactions with related parties

1) Interest income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Associates		
Merida Korea	\$ 5,467	\$ -
Merida Czech	614	3,484
SBC group	-	2,150
Others	<u>-</u>	<u>1,452</u>
	<u>\$ 6,081</u>	<u>\$ 7,086</u>

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

2) Acquisition of property, plant and equipment

Related Party Category	Asset item acquired	Acquisition Price
<u>For the Year Ended December 31, 2020</u>		
Other related parties	Equipment	<u>\$ 26,432</u>

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 234,622	\$ 215,008
Post-employment benefits	<u>639</u>	<u>661</u>
	<u>\$ 235,261</u>	<u>\$ 215,669</u>

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

8. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Inventory	\$ 334,016	\$ 84,498
Property, plant and equipment	19,654	25,062
Trade receivables	<u>181,722</u>	<u>49,506</u>
	<u>\$ 535,392</u>	<u>\$ 159,066</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials amounted to approximately \$174,096 thousand and \$872,179 thousand, respectively.
- b. Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment	<u>\$ 11,088</u>	<u>\$ 32,596</u>

- c. Product liability insurance

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

10. SIGNIFICANT LOSSES FROM DISASTERS

No such incident.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such incident.

12. OTHER ITEMS

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

13. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 114,072	27.68	\$ 3,157,513	\$ 118,927	28.48	\$ 3,387,041
JPY	177,807	0.2405	42,763	142,015	0.2763	39,239
Non-monetary items						
Associates accounted for using the equity method						
USD	612,910	27.68	16,965,349	463,810	28.48	13,209,309
EUR	7,507	31.32	235,119	6,226	35.02	218,035
<u>Financial liabilities</u>						
Monetary items						
USD	38,974	27.68	1,078,800	48,084	28.48	1,369,432
JPY	1,042,580	0.2405	250,740	3,157,283	0.2763	872,357

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

Foreign Currency	For the Year Ended December 31			
	Exchange Rate	2021	Exchange Rate	2020
		Net Foreign Exchange Gains (Losses)		Net Foreign Exchange Losses
NTD	1(NTD:NTD)	\$ 155,223	1(NTD:NTD)	\$ (106,578)
RMB	4.341(RMB:NTD)	(4,149)	4.282(RMB:NTD)	(18,331)
EUR	33.16(EUR:NTD)	7,960	33.71(EUR:NTD)	(4,154)
		<u>\$ 159,034</u>		<u>\$ (129,063)</u>

14. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments.

The Corporation has no outstanding forward contracts as of December 31, 2021 and 2020.

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)

c. Information of major shareholders:

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder. (Table 10)

15. SEGMENT INFORMATION

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

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, 2021				
	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$21,107,899	\$ 2,876,199	\$ 5,407,085	\$ -	\$29,391,183
Inter-segment revenue	2,326,969	595,868	148,097	(3,070,934)	-
Interest income	20,409	11,211	3,948	(11,662)	23,906
Share of profit of associates accounted for using the equity method	<u>4,644,140</u>	<u>-</u>	<u>-</u>	<u>(250,875)</u>	<u>4,393,265</u>
Total revenue	<u>\$28,099,417</u>	<u>\$ 3,483,278</u>	<u>\$ 5,559,130</u>	<u>\$ (3,333,471)</u>	<u>\$33,808,354</u>
Interest expenses	\$ 10,491	\$ 22,091	\$ 24,415	\$ (9,575)	\$ 47,422
Depreciation and amortization	73,850	119,829	91,251	(2)	284,928
Income tax expense	1,241,228	49,410	125,945	-	1,416,583
Segment profit and loss	4,649,502	(50,254)	439,795	(250,873)	4,788,170
<u>Assets</u>					
Investments accounted for using the equity method	20,960,030	-	-	(3,587,008)	17,373,022
Non-current assets	22,133,938	1,108,215	764,306	(3,654,435)	20,352,024
Segment assets	32,040,824	4,384,014	3,062,494	(3,978,383)	35,508,949
Segment liabilities	14,285,574	1,521,920	1,430,998	(301,267)	16,937,225

For the Year Ended December 31, 2020

	Domestic Operations	Asia Operations	Europe Operations	Reconciliation and Elimination	Total
<u>Revenue</u>					
Revenue from external customers	\$ 18,390,246	\$ 2,712,318	\$ 5,969,778	\$ -	\$ 27,072,342
Inter-segment revenue	1,839,168	434,700	182,347	(2,456,215)	-
Interest income	27,928	19,646	2,314	(15,563)	34,325
Share of profit of associates accounted for using the equity method	<u>3,580,526</u>	<u>-</u>	<u>-</u>	<u>(195,163)</u>	<u>3,385,363</u>
Total revenue	<u>\$ 23,837,868</u>	<u>\$ 3,166,664</u>	<u>\$ 6,154,439</u>	<u>\$ (2,666,941)</u>	<u>\$ 30,492,030</u>
Interest expenses	\$ 4,586	\$ 21,682	\$ 37,516	\$ (11,778)	\$ 52,006
Depreciation and amortization	67,557	123,150	85,498	-	276,205
Income tax expense	1,037,827	22,576	68,267	-	1,128,670
Segment profit and loss	3,993,317	(23,067)	337,060	(195,163)	4,112,147

Assets

Investments accounted for using the equity method	17,323,550	-	-	(3,495,334)	13,828,216
Non-current assets	18,500,843	1,203,278	876,112	(3,562,761)	17,017,472
Segment assets	26,470,917	4,299,309	3,207,969	(4,295,718)	29,682,477
Segment liabilities	10,436,781	1,333,032	1,867,787	(735,710)	12,901,890

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

b. Information about major customers

Name	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Customer A	<u>\$18,246,993</u>	<u>62</u>	<u>\$15,935,709</u>	<u>59</u>

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Lender	Borrower (Note 7)	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Corporation	Merida Polska	Other receivables from related parties	Yes	\$ 86,545	\$ -	\$ -	6.48	For short-term financing needs	\$ -	Operating capital	\$ -	-	\$ -	\$ 7,102,100 (Note 1)	\$ 8,877,625 (Note 3)
		Merida Italy	Other receivables from related parties	Yes	9,651	-	-	4.00	For short-term financing needs	-	Operating capital	-	-	-	1,775,525 (Note 2)	8,877,625 (Note 3)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 70,000	RMB 60,000	RMB 7,800	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 91,695 (Note 4)	RMB 91,695 (Note 4)
2	Merida China	Merida Jiangsu	Other receivables from related parties	Yes	RMB 36,000	RMB 25,000	RMB -	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 31,042 (Note 5)	RMB 31,042 (Note 5)
3	Merida Hong Kong	The Corporation	Other receivables from related parties	Yes	USD 17,000	USD 17,000	USD -	-	For short-term financing needs	-	Operating capital	-	-	-	HKD 203,497 (Note 6)	HKD 203,497 (Note 6)

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

Note 2: 10% of the net assets of the Corporation in their latest financial statements.

Note 3: 50% of the net assets of the Corporation in their latest financial statements.

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

Note 5: 40% of the net assets of Merida China in their latest financial statements.

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$ 5,326,575	EUR 500 GBP 6,000	EUR 500 GBP 6,000	EUR - GBP -	\$ -	1.35	\$ 8,877,625	Yes	-	-
		Merida & Centurion	Subsidiary	5,326,575	EUR 27,000	EUR 27,000	EUR 22,450	-	4.76	8,877,625	Yes	-	-
		Merida Jiangsu	Indirectly owned subsidiary	5,326,575	RMB 210,00 USD 3,750	RMB210,000 USD -	RMB 98,180 USD -	-	5.14	8,877,625	Yes	-	Yes

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 2)
The Corporation	<u>Mutual funds</u>						
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	19,139	\$ 200,076	-	\$ 200,076
	Yuanta De-Bao Money Market Fund	-	Financial assets at FVTPL - current	8,248	100,046	-	100,046
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	15,781	200,065	-	200,065
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	7,964	100,015	-	100,015
	<u>Share capital</u>						
	Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	3,072	-	3,072
	Cheng Shin	The Corporation's chairman is their director	Financial assets at FVTPL - current	1,146	41,364	-	41,364
	Merida Benelux (Note 1)	-	Financial assets at FVTOCI - non-current	2,749	89,220	-	89,220
	SR Suntour Inc.	-	Financial assets at FVTOCI - non-current	110	3,000	-	3,000
	Taifong Golf Course	-	Financial assets at FVTOCI - non-current	30	400	-	400
	Long Jee Holdings Pte. Ltd.	-	Financial assets at FVTOCI - non-current	330	-	2	-

Note 1: The preference shares investments have been eliminated.

Note 2: Refer to Note 6(20) for information on the fair values.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Shares and Units)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
The Corporation	Yuanta Wan-Tai Market Fund	Financial assets at FVTPL - current	-	-	27,706	\$ 350,474	55,263	\$ 700,000	67,188	\$ 851,154	\$ 850,000	\$ 1,154	15,781	\$ 200,065
	Franklin Templeton Sinoam Money Market Fund	Financial assets at FVTPL - current	-	-	46,095	480,695	19,139	200,000	46,095	481,319	480,000	1,319	19,139	200,076
	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	23,942	300,100	15,934	200,000	31,912	400,296	400,000	296	7,964	100,015
	Mega Diamond Money Market Fund	Financial assets at FVTPL - current	-	-	16,399	250,177	6,555	100,000	22,954	350,370	350,000	370	-	-

Note: The net asset values are measured as of the balance sheet date.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2021

(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 Merida & Centurion	Associate	Sale	\$ (18,246,993)	(78)	O/A 60 days	\$ -	-	\$ 1,386,434	78	
		Subsidiary	Sale	(1,080,020)	(5)	D/A or O/A 150 days	-	-	-	-	
	Merida U.K. Merida Korea	Subsidiary	Sale	(259,540)	(1)	O/A 60 days	-	-	-	-	
		Associate	Sale	(302,974)	(1)	T/T 14 days or O/A 120 days	-	-	86,376	5	
	Merida Benelux SAIL & SURF	Subsidiary	Sale	(214,877)	(1)	O/A 180 days	-	-	20,058	1	
		Associate	Sale	(436,160)	(2)	T/T 14 days or D/A 180 days	-	-	12,985	1	
	Merida Bikes SWE	Associate	Sale	(203,183)	(1)	T/T 14 days or O/A 120 days	-	-	-	-	
	Merida Japan	Subsidiary	Sale	(129,605)	(1)	O/A 90 days	-	-	27,857	2	
	Merida Norge	Subsidiary	Sale	(263,695)	(1)	T/T 14 days or D/A 120 days	-	-	16,190	1	
	Merida Jiangsu	Third-tier subsidiary	Sale	(222,017)	(1)	O/A 90 days	-	-	40,616	2	
	Merida Polska	Subsidiary	Sale	(125,625)	(1)	O/A 150 days	-	-	31,563	2	
	Merida Czech	Associate	Sale	(117,878)	(1)	T/T 14 days or D/A 150 days	-	-	-	-	
	Merida Italy	Associate	Sale	(186,494)	(1)	D/A 90 days	-	-	54,672	3	
	Merida China	Third-tier subsidiary	Purchase	405,193	2	T/T 90 days	-	-	(55,167)	(1)	
	Merida Jiangsu	Merida Shandong	Associate	Sale	RMB (170,896)	(75)	T/T 90 days	-	-	RMB 2,082	100

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, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Financial Statement Account	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
The Corporation	SBC Group	Associate	Trade receivables from related parties	\$ 1,386,434	14.56	\$ -	-	\$ 1,386,434	\$ -
	SBC Group	Associate	Other receivables from related parties	10,679	-	-	-	10,679	-

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% of Total Sales or Assets
0	The Corporation	Merida & Centurion	1	Sales	\$ 1,080,020	D/A or O/A 150 days	4
		Merida U.K.	1	Sales	259,540	O/A 60 days	1
		Merida Benelux	1	Sales	214,877	O/A 180 days	1
		Merida Japan	1	Sales	129,605	O/A 90 days	-
		Merida Norge	1	Sales	263,695	T/T 14 or D/A 120 days	1
		Merida Jiangsu	1	Sales	222,017	O/A 90 days	1
		Merida Polska	1	Sales	125,625	O/A 150 days	-
		Merida China	1	Cost of goods sold	405,193	T/T 90 days	1
		Merida Shandong	2	Sales	RMB 170,896	T/T 90 days	3

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

Note 2: This transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount			
The Corporation	<u>Share capital</u> SBC	California, United States of America	Design, development, manufacture and sale of bicycles	\$ 887,013	\$ 887,013	3,410	35	\$ 17,065,507	USD 442,314	\$ 4,336,070	
	Merida B.V.I.	British Virgin Islands	International investment	1,362,597	1,362,597	42,500	100	2,636,279	USD (273)	(7,638)	Subsidiary
	Merida & Centurion	Stuttgart, Germany	Sale of bicycles	103,725	103,725	-	51	543,537	EUR 7,992	135,155	Subsidiary
	Merida Polska	Gliwice, Poland	Sale of bicycles and bicycle components	113,170	113,170	-	74	86,894	PLN 4,624	24,831	Subsidiary
	Merida Norge	Lysaker, Norway	Sale of bicycles	151,459	151,459	198	75	124,983	NOK 13,567	33,119	Subsidiary
	SAIL & SURF	Strobl, Austria	Sale of bicycles	116,195	116,195	-	40	122,672	EUR 1,625	21,555	
	Merida Czech	Brno, Czech Republic	Sale of bicycles	21,042	21,042	-	45	52,107	CZK 18,980	11,016	
	Merida Bikes SWE	Madrid, Spain	Sale of bicycles	18,646	18,646	1	36	77,185	EUR 1,638	19,753	
	WideDoctor	Changhua, Taiwan	Marketing of daily necessities	16,900	16,900	690	26	3,078	(3,138)	(802)	
	Merida Slovakia	Partizanska, Slovakia	Sale of bicycles	40	40	-	30	26,362	EUR 339	3,368	
	Merida Japan	Kanagawa, Japan	Sale of bicycles	118,875	118,875	2	90	59,761	JPY (24,790)	(5,699)	Subsidiary
	Merida Italy	Reggio Emilia, Italy	Sale of bicycles	19,011	19,011	559	27	13,230	EUR 267	2,417	
	Merida Benelux	Beekbergen, Netherlands	Sale of bicycles	65,400	65,400	766	60	(41,053)	EUR 1,111	22,107	Subsidiary
	Merida U.K.	Nottingham, United Kingdom	Sale of bicycles	40,309	40,309	482	81	135,554	GBP 1,563	49,000	Subsidiary
	Merida Korea	Seoul, Republic of Korea	Sale of bicycles	10,598	10,598	77	40	12,881	KRW (11,379)	(112)	
Merida B.V.I.	<u>Share capital</u> Merida Hong Kong	Hong Kong	International investment and trade	USD 27,087	USD 27,087	202,800	100	USD 65,270	HKD 21,623	(Note 1)	Indirectly owned subsidiary
	Merida SAMOA	Samoa	International investment	USD 24,500	USD 24,500	24,500	70	USD 13,933	USD (4,318)	(Note 1)	Indirectly owned subsidiary
Merida Norge	<u>Share capital</u> Merida Sverige AB	Gothenburg, Sweden	Sale of bicycles	NOK 814	NOK 814	-	100	NOK 7,218	SEK 5,468	(Note 1)	Indirectly owned subsidiary
Merida & Centurion	<u>Share capital</u> Merida Europe GmbH	Stuttgart, Germany	Brand promotion and cycling team management	EUR 25	EUR 25	-	100	EUR 1,359	EUR 229	(Note 1)	Indirectly owned subsidiary
	Merida R&D Center GmbH	Stuttgart, Germany	Design and development of bicycles	EUR 25	EUR 25	-	100	EUR 325	EUR 15	(Note 1)	Indirectly owned subsidiary
Merida Japan (Note 2)	<u>Share capital</u> Miyata	Kanagawa, Japan	Sale of bicycles	JPY 62,371	JPY 62,371	-	100	JPY 53,701	JPY (8,240)	(Note 1)	Indirectly owned subsidiary

Note 1: Not applicable.

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Cadastral District Number	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
						Outward	Inward						
4403	Merida China	Manufacture and sale of bicycles	\$ 339,910 (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	\$ 306,888 (USD 11,087)	\$ -	\$ -	\$ 306,888 (USD 11,087)	\$ (66,876)	100	\$ (66,876)	\$ 337,116	\$ 1,237,490 (USD 44,707)
3714	Merida Shandong	Manufacture and sale of e-bikes and bicycles	442,880 (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	442,880 (USD 16,000)	-	-	442,880 (USD 16,000)	141,497	100	141,497	995,802	717,549 (USD 25,923)
3206	Merida Jiangsu	Manufacture and sale of bicycles	968,800 (USD 35,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	456,720 (USD 16,500)	-	-	456,720 (USD 16,500)	(120,940)	70	(84,658)	356,282	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA	Accumulated Investment Amount from Taiwan due to Disposal Of Companies in Mainland China At The End of The Current Period (Including Sales, Liquidation, Dissolution, Mergers and Bankruptcy)	Repatriation of Investment Income from Disposal of Companies In Mainland China as of The End of The Current Period (Including Sales, Liquidation, Dissolution, Mergers and Bankruptcy)
\$ 1,206,488 (USD 43,587)	\$ 1,265,391 (USD 45,715) (Note 2)	\$ 11,143,034 (Note 3)	\$ -	\$ -

Note 1: The investment gain (loss) and carrying amount as of December 31, 2021 are recognized according to the financial statements audited by the Corporation's independent auditors.

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

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

MERIDA INDUSTRY CO., LTD.**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

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

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

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