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MERIDA INDUSTRY CO., LTD.

2023 Annual Report

Date of Publication June 1 2024

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I. Report to the Shareholders

i. Business Report of 2023

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") decreased YoY by 33% and 18%, respectively. This indicates that the industry experienced a significant decline in the preceding year in terms of export volume and value due to the reorganization of orders post-pandemic, which was influenced by various factors such as international warfare, shipping disruptions, inflation, and delayed orders.

In the preceding year (2023), the Company's premium bicycle marketed in self-owned brand showed gains in quantity of units sold and sales volume in China by 30.1% and 67.2% YoY, respectively; in the meantime, our Taiwanese plant focusing on supplying the premium bicycles to Europe and America deferred production in response to market inventory, which resulted in a YoY decrease of 39.8% and 37.4% in export volume and value, respectively; the annual consolidated and parent-company only [refers to Taiwanese plant] came in, respectively, 1.167 million units and 0.463 million units (incl. electrical bicycle at approx. 0.195 million units), contributing to annual decrease by 10.7% and 39.8% YoY; the annual consolidated and parent-only revenues were 27.26 billion TWD and 20.01 billion TWD, respectively, indicating an annual decrease of 26.3% and an annual decrease of 37.4%. With the advent of post-pandemic era, the increased demand over the past two years began to align with market demand in Q3. Meanwhile, we have established an optimized order management system through management and process improvements and upgrades, enhancing the efficient allocation of production resources and achieving stable operations through flexible adjustments.

We truly appreciate the support by all our shareholders and directors, as well as the hard work and efforts of all employees! In response to the post-pandemic load regulations, the Company will restructure, cut costs, continue

to innovate, and improve processes to increase efficiency, striving to achieve operational goals and challenge new heights based on past achievements. In the meantime, through the practice of sustainable management, we aim to create value for the Company and contribute to the environment and society.

The consolidated and Standalone operating conditions of the Company for the year 2023 are hereby reported as follows:

(1) Implementation Results of the Business Plans:

Unit: 10,000 Units

Item	Forecast	Actual	Fill Rate
Consolidated	133	116.7	87.7%
Standalone	65.5	46.3	70.7%

(2) Implementation Conditions:

1. Consolidated:

Unit: NT\$ thousand, except for Sales Quantity in 10,000 Units

Items \ Year	2023	2022	YoY	YoY %
Sales	116.69	130.66	(13.97)	(10.69%)
Net Sales Revenue	\$27,261,117	\$37,003,082	(9,741,965)	(26.33%)
Operating Cost	22,147,087	30,611,767	(8,464,680)	(27.65%)
Operating Margin	5,114,030	6,391,315	(1,277,285)	(19.98%)
Realized (Unrealized) Gain on Sales	509,805	(695,472)	1,205,277	173.30%
Net Operating Margin	5,623,835	5,695,843	(72,008)	(1.26%)
Operating Expenses	2,237,892	2,258,378	(20,486)	(0.91%)
Net Operating Profit	3,385,943	3,437,465	(51,522)	(1.50%)
Non-Operating Income and (Expense)	(636,286)	1,060,381	(1,696,667)	(160.01%)
Net Profit before Tax	2,749,657	4,497,846	(1,748,189)	(38.87%)
Net Profit after Tax	1,798,762	3,454,418	(1,655,656)	(47.93%)

2. Standalone:

Unit: NT\$ thousand, except for Sales Quantity in 10,000 Units

Items \ Year	2023	2022	YoY	YoY %
Sales	46.28	76.92	(30.64)	(39.83%)
Net Sales Revenue	\$20,008,786	\$31,977,115	(11,968,329)	(37.43%)
Operating Cost	17,607,545	27,496,751	(9,889,206)	(35.96%)
Operating Margin	2,401,241	4,480,364	(2,079,123)	(46.41%)
Realized (Unrealized) Gain on	311,441	(907,106)	1,218,547	134.33%

Sales				
Net Operating Margin	2,712,682	3,573,258	(860,576)	(24.08%)
Operating Expenses	711,087	816,025	(104,938)	(12.86%)
Net Operating Profit	2,001,595	2,757,233	(755,638)	(27.41%)
Non-Operating Income and (Expense)	350,083	1,538,702	(1,188,619)	(77.25%)
Net Profit before Tax	2,351,678	4,295,935	(1,944,257)	(45.26%)
Net Profit after Tax	1,691,823	3,389,063	(1,697,240)	(50.08%)

(3) Profitability Analysis:

1. Consolidated:

Item	2023	2022	YoY
Return on Assets	4.91%	9.01%	(45.50%)
Return on Equity	8.35%	17.24%	(51.57%)
Operating Profit to Paid-In Capital	113.25%	114.97%	(1.50%)
Profit before Tax to Paid-In Capital	91.97%	150.44%	(38.87%)
Profit Margin	6.60%	9.34%	(29.34%)
Earnings per Share (NT\$)	5.66	11.34	(50.09%)

2. Standalone:

Item	2023	2022	YoY
Return on Assets	4.92%	9.62%	(48.86%)
Return on Equity	8.23%	17.68%	(53.45%)
Operating Profit to Paid-In Capital	66.95%	92.22%	(27.40%)
Profit before Tax to Paid-In Capital	78.66%	143.68%	(45.25%)
Profit Margin	8.46%	10.60%	(20.19%)
Earnings per Share (NT\$)	5.66	11.34	(50.09%)

(4) R&D Status:

- 1 SILEX was awarded the BEST GRAVEL BIKE OF THE YEAR 2023 by OFFROAD.CC, an international press.
- 2 ONE-SIXTY 500 was awarded the BEST MOUNTAIN BIKE OF THE YEAR 2023 by international press OFFROAD.CC.
- 3 ONE-SIXTY 6000 was awarded the ENDURO (FULL SUSPENSION) BIKE OF THE YEAR 2023 by international press BIKERADAR/MBUK, and the Silver Quality Award under the Taiwan Excellence Award 2024.
- 4 ONE-FORTY 700 was awarded the TRAIL BIKE OF THE YEAR 2023 by international press BIKERADAR/MBUK.
- 5 ONE-SIXTY 10K was awarded Taipei Cycle d&i Award 2023.

ii. Outline for 2024 Business Plans

(1) Management Guideline:

By continuously optimizing the system to improve management efficiency and promoting the application of clean energy with an environmental philosophy as the core, the Company is committed to meeting the annual order demands for product development and global distribution channels of the group's various brands, meanwhile striving for the simultaneous development and growth of own brands and strategic alliance (investment) brands. The Company aims to increase market share in the global mid-range and premium bicycle and electrical bicycle markets, achieve annual operational goals, and realize the objective of sustainable operations to move towards the vision of sustainable net-zero emissions.

(2) Expected Sales and Its Foundation:

1. Assessing the European and American bicycle markets, factors such as a slowdown in short-term demand and increased channel inventory may lead to a possible slowdown in order growth; sales of high-end bicycles from Mainland China's own brands remain stable. Taking into account the global market conditions for the entire group, the domestic sales and production scale of mid-range and high-end bicycles in China are expected to expand positively. The mid-range and high-end electrical bicycles and bicycles produced and exported by our primary plant in Taiwan are expected to gradually regain growth momentum in H2 of the year after inventory adjustments in H1.

2. Business Goals:

Unit: 10,000 Units

Type	Business Items	Estimated Sales
Consolidated	Bike (incl. electrical bicycle)	121
Standalone	Bike (incl. electrical bicycle)	46

(3) Production & Marketing Strategies:

1. Production: as a measure to meet the demands driven by orders from Europe, America, China, and other emerging markets, the group's various factories are enhancing their production line capabilities, setting reasonable staffing levels, optimizing order processing procedures, and improving efficiency. By leveraging technological means, the Company is establishing an intelligent order management system to reduce operational error risks,

ensure the allocation of production resources, and strengthen cost and expense control. Under the premise of prioritizing quality, the Company aims to achieve an order production completion rate of over 95%.

2. Marketing: The Company continues to develop new products to meet global market demands, while managing brand marketing and service resources to ensure order fulfillment, delivery schedules, and payment collection, thereby consolidating sales channels. The Company aims to achieve specific annual sales targets and continually promotes marketing activities to enhance brand market positioning and increase market share.

iii. Future Development Strategies

The Company intends to create brand value and market globally to enhance the positioning of its broad range of brands (including own brands and investment brands) in the mid-range and premium segments of the global bicycle and electrical bicycle markets. Meanwhile, the Company will effectively manage and expand the supply of key materials and production capacity for electrical bicycle products to meet the demands of major markets and customers. In response to energy efficiency policies, the Company is committed to improving energy performance and achieving sustainable operations.

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; there is potential demand for high-end bikes that for leisure, sports, and competitions as well as the extended high-end electrical bicycles 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 shall prioritize securing of brand and channel and adequate upgrade and expansion of the production lines and reserve the 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 electrical bicycle systems module suppliers across Europe and Asia to actively develop new high-end electrical bicycle 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, most of the Company's global export orders are produced in its Taiwan plant. The Company also monitors potential changes and adjust production locations accordingly to manage export orders and production capacity distribution. The Company's Taiwan plant has now integrated the production lines for electrical bicycles and bicycles to complement each other, with part of the electrical bicycle assembly process (modules) extended to its German factory to enhance overall efficiency. Currently, the Company is planning electrical bicycle production capacity based on the supply chain's capability and gradually advancing expansions to meet the continuously growing annual order demand. This will promote the growth of the group's production scale and profitability.

II. Company Profile

i. Date of Incorporation: September 29, 1972.

ii. Company History:

The Company was established in September 1972, and engages in main businesses of the processing, manufacturing, and sales of bicycles and their components. Over the past 40 years, the Company continuously invested in expanding plants facilities and has established subsidiaries overseas to expand channels for marketing.

On March 19 1990, the retroactive public offering of the Company's shares was approved by the Securities Management Committee of the Ministry of Finance, which was approved for listing by the TWSE on July 7, 1992. On September 30 of the same year, the Company's shares were officially listed. The important events of the Company in the past five fiscal years are as follows:

(1) 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 was ranked 11th with a brand value of USD354 million, as valuated by the global brand value survey authority Interbrand under commission of Taiwan Institute for Economic Research in "2019 Taiwan International Brand Value Estimation" organized by the Industrial Development Bureau, Ministry of Economic Affairs.
4. Vincenzo Nibali, star rider of the Merida-sponsored Bahrain Merida Team, clinched 2nd place in general classification of the Giro d'Italia 2019, one of the three major professional cycling stage races ("Grand Tour") in the world.
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. Held the "Changhua Classic 100K" and "MERIDA CCUP & Excursions on Bike" events as a part of continued promotion of cycling.
7. The air quality purification areas "NYAIVHS Ecological Park" and "Sanhua Park" fostered by the Company were assessed and selected as high distinction and excellent units 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.

(2) 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. The Company was ranked 10th with a brand value of USD402 million, as valuated by the global brand value survey authority Interbrand under commission of Taiwan Institute for Economic Research in "2020 Taiwan International Brand Value Estimation" organized by the Industrial Development Bureau, Ministry of Economic Affairs.
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" event as a part of continued promotion of cycling.
8. The air quality purification area "Yuanlin Agro-Industrial Eco-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 2020.

(3) 2021:

1. "All-Around Aero Bike REACTO Team-E" was 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" was 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 USD448 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 area "Yuanlin Agro-Industrial Eco-Park" fostered by the Company were assessed and selected as honorable mention for fostering and maintaining air quality in air qualification zone by Changhua County Government in 2021.

(4) 2022:

1. Road Bike SCULTURA 5 TEAM awarded "TAIPEI CYCLE d&i Gold Award", top accolade in the Taipei Cycle Show 2022.
2. "TAIPEI CYCLE d&i Gold Award" , top accolade in the Taipei Cycle Show 2023 and "Gear of the Year 2022" by international mountain bike press Pinkbike.
3. "Road Race SCULTURA TEAM" was awarded "BIKE OF THE YEAR 2022" by international press BikeRadar and Silver Award in the 31st (2023) Taiwan Excellence Award.
4. "Trail Bike BIG TRAIL 600" was cited as the "Best Mountain Bike of 2022" by the international press MBR.
5. "eONE-SIXTY 975" was rated top in the "BEST IN TEST 2022", the electric assisted mountain bike test organized by professional press E-Mountainbike Magazine.
6. The Company was ranked 10th with a brand value of USD467 million, as valuated by the global brand value survey authority Interbrand under commission of Taiwan Institute for Economic Research in "2022 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 area "Yuanlin Agro-Industrial Eco-Park" fostered by the Company was awarded the "High Distinction Award" for fostering and maintaining air quality in air qualification zone by EPA in 2022.

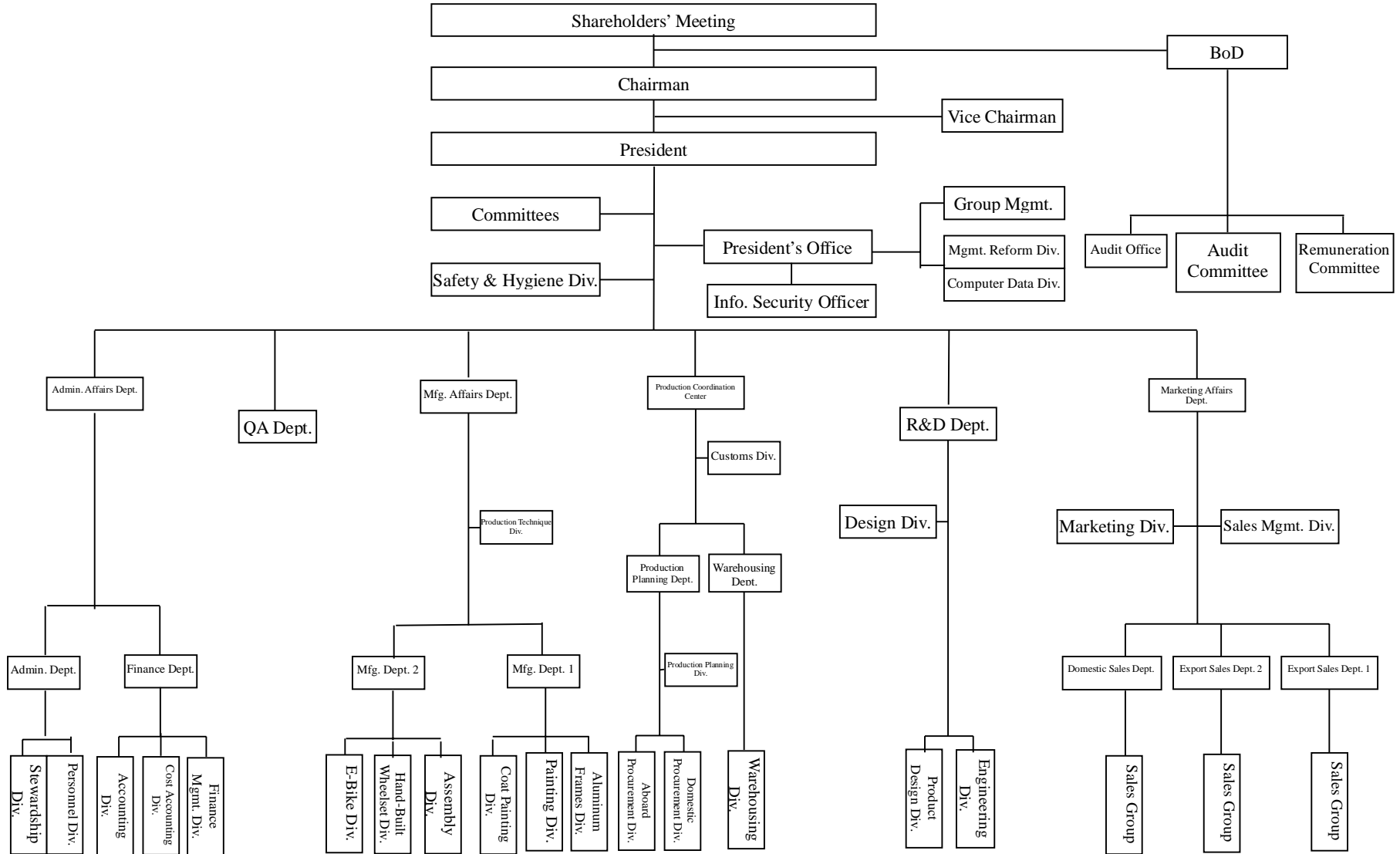
(5) 2023:

1. SILEX was awarded the BEST GRAVEL BIKE OF THE YEAR 2023 by OFFROAD.CC, an international press.
2. ONE-SIXTY 500 was awarded the BEST MOUNTAIN BIKE OF THE YEAR 2023 by international press OFFROAD.CC.
3. ONE-SIXTY 6000 was awarded the ENDURO (FULL SUSPENSION) BIKE OF THE YEAR 2023 by international press BIKERADAR/MBUK, and the Silver Quality Award under the Taiwan Excellence Award 2024.
4. ONE-FORTY 700 was awarded the TRAIL BIKE OF THE YEAR 2023 by international press BIKERADAR/MBUK.
5. ONE-SIXTY 10K was awarded Taipei Cycle d&i Award 2023.
6. The Company was ranked 12th with a brand value growth by 6% and a brand value of USD494 million, as valuated by the global brand value survey authority Interbrand under commission of Taiwan Institute for Economic Research in "2023 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 area "Yuanlin Agro-Industrial Eco-Park" fostered by the Company was recognized as distinguished unit for fostering and maintaining air quality in air qualification zone by EPA in 2023.

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).1 Information of Directors and Independent Directors:

April 28, 2024

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 Nominees		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 5)
							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%	8,900,819	2.98%	0	0%	13 th MBA Program for Entrepreneur, National Chengchi University	1. President of the Company (Relieved office on February 1, 2023) 2. Director, Cheng Shin Rubber Industry Co. 3. Concurrently taking roles at affiliates of the Company. See P. 177 for details.	Director	Tseng-Lu Min-Hua	Spouse	
																	VP	Tseng Shang-Yuan	Father-Son	
Director	Taiwan	Tseng Song-Ling	Male 61-70	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.	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%	8,900,819	2.98%	48,664,715	16.28%	0	0%	Graduated from Department	Chairman, Ding-Hung Investment Co., Ltd.	Chairman	Tseng Song-Zhu	Spouse	

															of Accounting and Statistics, Taipei High School		VP	Tseng Shang-Yuan	Mother-Son
Director	Taiwan	Luo Cai-Ren	Male 71-80	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, Cheng Shin Rubber Industry Co.	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	None	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. 177 for details.	None	None	None

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. 177 for details.	None	None	None
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. 177 for details.	None	None	None
Director	Taiwan	Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng	Male 61-70	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	Vice President of Domestic Sales Department of the Company	None	None	None
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	None

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	None
Independent Director	Taiwan	Tsai Wu-Ying	Male 61~70	2021.8.4	3	2021.8.4	1,985,450	0.66%	1,389,450	0.46%	25,539	0.01%	0	0%	Graduated from Department of Computer Science, Feng Chia University	Chairman, Fu-Chian Tire Co., Ltd.	None	None	None
Independent Director	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 Institutional Shareholder shall be listed respectively by Name of Institutional Shareholder and its Representative (Name of Institutional Shareholder shall be noted where the person is a representative to a Institutional Shareholder), with the following Table 1-1 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: 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 is a relative of the 1st degree of kinship with the President to improve the operating efficiency and execution of decision-making; however, in order to implement corporate governance, the Company has established independent directors with number of seats on statutory basis 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 – Major Shareholder(s) of the Company’s Institutional Shareholders:

April 28, 2024

Name of Institutional Shareholder (Note 1)	Major Shareholder(s) of Institutional Shareholder (Note 2)	Shareholding Percentage
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: Tseng Song-Ling	4.80%

Note 1: Where a director or an independent director is an institutional shareholder, name of institutional shareholder shall be entered.

Note 2: Enter Name of Major Shareholder(s) of Institutional Shareholder (w/ Top-10 Shareholding) and their shareholding ratios. The following table 1-2 shall also be entered when the Major Shareholder is a corporate.

Note 3: Where the institutional shareholder is not a company or an organization, the shareholder name(s) and shareholding percentage(s) required to be disclosed above is (are) the name(s) and contribution/donation percentage(s) by contributor(s) or donor(s) (reference with queries of Judicial Yuan announcement); add note “deceased” if a donor has passed away.

1-2 Information of Directors and Independent Directors – Major shareholders of the Company’s Major Institutional Shareholders:

April 28, 2024

Name of Institutional Shareholders (Note 1)	Contributor/Donor (Note 3)	Contribution/Donation Percentage
Changhua County Private Ai-Lian Social Welfare & Charity Foundation Representative: Tseng Song-Ling	Tseng Song-Ling	100%

Note 1: Where a major shareholder of the Company’s major institutional shareholders is a corporate, name of institutional shareholder shall be entered.

Note 2: Enter Name of Major Shareholder(s) of Institutional Shareholder (w/ Top-10 Shareholding) and their shareholding ratios.

Note 3: Where the institutional shareholder is not a company or an organization, the shareholder name(s) and shareholding percentage(s) required to be disclosed above is (are) the name(s) and contribution/donation percentage(s) by contributor(s) or donor(s) (reference with queries of Judicial Yuan announcement); add note “deceased” if a donor has passed away.

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

Name	Criteria	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 of the Company 3. Director, Cheng Shin Rubber Industry Co., Ltd. 4. Chairman of Taiwan Bicycle Association 5. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company 6. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act. 	Not Applicable	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. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company 4. Does not meet 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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act 		0
Luo Cai-Ren	<ol style="list-style-type: none"> 1. Bachelor of Marketing and Materials Management, Connecticut Institution of Technology (US) 2. Chairman, Cheng Shin/MAXXIS Group 3. Is equipped with work experience, professional know-how and skills related to business administration as required in businesses of the Company 4. Does not meet 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. Does not meet 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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act 		0

<p>Ding-Hung Investment Co., Ltd. Ding-Hung Investment Co., Ltd Rep.: Yuan Qi-Bin</p>	<p>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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act</p>		<p>0</p>
<p>Ding-Hung Investment Co., Ltd. Rep.: Lai Ru-Ding</p>	<p>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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act</p>		<p>0</p>
<p>Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng</p>	<p>1. Graduated from Power Div., Mechanical Engineering Dept. 2-Year Program, Nanya Institute of Technology 2. Vice President of Domestic Sales Department of the Company 3. Is equipped with work experience, professional know-how and skills related to production management/marketing management as required in businesses of the Company 4. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act</p>		<p>0</p>

Chen Shui-Jin	<ol style="list-style-type: none"> 1. Master, Graduate School of Business Administration, National Chung Cheng University 2. Chief Accountant, Yuan-Sheng CPA Firm 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 4. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act 	<p>All independent directors meet the following independence criteria:</p> <ol style="list-style-type: none"> 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. 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 16 "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. 3. Does not serve as director, supervisor or employee at a company having specific relations with the Company. 	3
Chen Jian-Nan	<ol style="list-style-type: none"> 1. Master of Design, UCLA, University of California, Los Angeles 2. Associate Professor, Department of Industrial Design, Chaoyang University of Technology 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 4. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act 	<ol style="list-style-type: none"> 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. 	0
Tsai Wu-Ying	<ol style="list-style-type: none"> 1. Chairman, Fu-Chian Tire 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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act 	<ol style="list-style-type: none"> 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. 	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. Does not meet 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. Diversification and Independence of the Board of Directors:

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 relevant 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. In the future, the Company will continue to stress on the diversification criteria including gender, age, nationality and culture. It is advisable that the female directors account for one-third of all directors. 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 16. 9 out of 13 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 Diversification in the Board of Directors is as follows:

Core Diversity Items		Basic Composition					Industrial Experience and Professional Capabilities							
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 (Note: 1)	Tseng Song-Zhu	Taiwan	Male	61~70	Business Administration	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Tseng Song-Ling	Taiwan	Male	61~70	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Director	Tseng-Lu Min-Hua	Taiwan	Female	61~70	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Director	Luo Cai-Ren	Taiwan	Male	71~80	Business Administration		✓	✓	✓	✓	✓	✓	✓	✓
Director (Note: 2)	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	61~70	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	Business Administration		✓		✓	✓	✓	✓	✓	✓

Note 1: The Chairman Tseng Song-Zhu concurrently served as President, whose office was relieved on February 1, 2023.

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

April 30, 2023

Title (Note 1)	Nationality	Name	Date Elected (Assumed)	Gender	Shares Held		Number of Shares Held by Spouse or Minor Children		Shares Held under Nominees		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	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation	
President (Note 4)	Taiwan	Tseng Song-Zhu	1994.09.01	Male	48,664,715	16.28%	8,900,819	2.98%	0	0%	13th MBA Program for Entrepreneur, National Chengchi University	Concurrently taking roles at affiliates of the Company. See P. 177 for details.	President (Note 4)	Tseng Shang-Yuan	Father-Son	
President (Note 4)	Taiwan	Tseng Shang-Yuan	2023.02.01	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. 177 for details.	President (Note 4)	Tseng Song-Zhu	Father-Son	
V i c e 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. 177 for details.	None	None	None	
V i c e President	Taiwan	Yuan Qi-Bin	2004.01.01	Male	140,184	0.05%	151	0.00%	0	0%	Graduated from Institute MBA, Dayeh University	None	None	None	None	

V i c e 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. 177 for details.	None	None	None	
V i c e 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	None	None	None	None	
V i c e President (Note 5)	Taiwan	Liu Ming-Gen	2023.08.16	Male	9,000	0.00%	105	0.00%	0	0%	Graduated from Department of Public Finance, Feng Chia University	Concurrently taking roles at affiliates of the Company. See P. 177 for details.	None	None	None	
Associate Manager (Note 6)	Taiwan	Li Bo-Lin	2002.06.01	Male	938	0.00%	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	0.00%	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. 177 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	0.00%	0	0%	0	0%	Graduated from Department of Mechanics, Lunghwa Institution of Technology	None	None	None	None
Associate Manager (Note 7)	Taiwan	Chang Wen-Jie	2014.10.01	Male	3,000	0.00%	45	0.00%	0	0%	Graduated from Department of Industrial Management, National Cheng Kung University	None	None	None	None
Associate Manager (Note 8)	Taiwan	Tang Jia-Hung	2016.08.16	Male	0	0%	0	0.00%	0	0%	Graduated from Department of Electrical Engineering, Shu-Te Institution of Technology	None	None	None	None

Associate Manager	Taiwan	Tsai Wei-Sheng	2018.10.01	Male	2,100	0.00%	0	0%	0	0%	Graduated from Department of Industrial Engineering, Da Yeh University	Concurrently taking roles at affiliates of the Company. See P. 177 for details.	None	None	None
Associate Manager	Taiwan	Shih Qi-Xiang	2022.06.01	Male	3,000	0.00%	0	0%	0	0%	Master of Industrial Management, National Chin-Yi University of Technology	Concurrently taking roles at affiliates of the Company. See P. 177 for details.	None	None	None
Associate Manager (Note 9)	Taiwan	Shih Wen-Lin	2023.01.01	Male	2,000	0.00%	0	0%	0	0%	Graduated from Department of Mechanical Engineering, Kaohsiung Institute of Technology	Concurrently taking roles at affiliates of the Company. See P. 177 for details.	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 is a relative of the 1st degree of kinship with the President to improve the operating efficiency and execution of decision-making; however, in order to implement corporate governance, the Company has established independent directors with number of seats on statutory basis 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: Mr. Tseng Song-Zhu was relieved from the position of President on February 1, 2023, with Mr. Tseng Shang-Yuan assumed office as successor on the same date.

Note 5: The Vice President Liu Ming-Gen was promoted on August 16, 2023.

Note 6: The Associate Manager Lo Bo-Lin announced his retirement on December 31, 2023.

Note 7: The Associate Manager Chang Wen-Jie announced his retirement on June 30, 2023.

Note 8: The Associate Manager Tang Jia-Hung announced his retirement on February 28, 2023.

Note 9: The Associate Manager Shih Wen-Lin assumed office on January 1, 2023.

(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: NT\$ thousand

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 Reinvestment Business 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 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)	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)			
																Cash Amount	Stock Amount	Cash Amount	Stock Amount					
Director	Tseng Song-Zhu	0	0	0	0	16,129	16,129	1,628	1,628	17,757	17,757	2,721	2,721	0	0	2,341	0	2,341	0	22,819	22,819	1.35%	1.35%	None
Director	Ding-Hung Investment Co., Ltd.	0	0	0	0	25,384	25,384	0	0	25,384	25,384	0	0	0	0	0	0	0	0	25,384	25,384	1.50%	1.50%	None
Director	Tseng Song-Ling																							
Director	Tseng-Lu Min-Hua	0	0	0	0	25,384	25,384	670	670	26,054	26,054	11,794	11,794	0	0	7,782	0	7,782	0	45,630	45,630	2.70%	2.70%	None
Director	Luo Cai-Ren																							

Independent Director	Lei Shin-Jung																						
<p>1. Please specify the payment policy, system, standards, and structure of independent directors' remuneration, as well as correlation with the amount of remuneration according to the responsibilities, risks, time invested and other factors:</p> <p>The payment of the remuneration of independent directors of the Company pursuant to Article 34 "Regulations Governing Payment of Remunerations to Directors" of the Articles of Incorporation, along with the assessment of the Company's annual revenue, total assets and its responsibilities, risks, investment time, and other factors as well as reference to standards of the same industry and is approved by the Board of Directors to ensure the reasonableness of the salary.</p> <p>2. The remuneration received by the directors of the Company in the most recent year for the services (e.g. non-employee consultant for the Company/All Companies in Financial Report/Reinvestment Business, etc.) other than as disclosed in the above table: None.</p>																							

*Please enter respective entries the information with respect to directors (who are non-independent general directors) and independent directors.

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 (I) (Note 9)
Lower than NT\$1,000,000	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Tsai Wu-Ying (Ind. Director), and Lei Shin-Jung (Ind. Director)	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Tsai Wu-Ying (Ind. Director), and Lei Shin-Jung (Ind. Director)	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Tsai Wu-Ying (Ind. Director), and Lei Shin-Jung (Ind. Director)	Chen Shui-Jin (Ind. Director), Chen Jian-Nan (Ind. Director), Tsai Wu-Ying (Ind. Director), and Lei Shin-Jung (Ind. Director)
NT\$1,000,000 (incl.) ~ NT\$2,000,000				
NT\$2,000,000 (incl.) ~ NT\$3,500,000				
NT\$3,500,000 (incl.) ~ NT\$5,000,000				
NT\$5,000,000 (incl.) ~ NT\$10,000,000	Tseng Song-Ling, Tseng-Lu Min-Hua, Luo Cai-Ren, and Ding-Sheng Investment Co., Ltd.	Tseng Song-Ling, Tseng-Lu Min-Hua, Luo Cai-Ren, and Ding-Sheng Investment Co., Ltd.	Zheng Wen-Xiang, Yuan Qi-Bin, Lai Ru-Ding, and Tseng Ching-Cheng Tseng Song-Ling, Tseng-Lu Min-Hua, Luo Cai-Ren, and Ding-Sheng Investment Co., Ltd.	Zheng Wen-Xiang, Yuan Qi-Bin, Lai Ru-Ding, and Tseng Ching-Cheng Tseng Song-Ling, Tseng-Lu Min-Hua, Luo Cai-Ren, and Ding-Sheng Investment Co., Ltd.
NT\$10,000,000 (incl.) ~ NT\$15,000,000				
NT\$15,000,000 (incl.) ~ NT\$30,000,000	Tseng Song-Zhu, and Ding-Hung Investment Co., Ltd.	Tseng Song-Zhu, and Ding-Hung Investment Co., Ltd.	Tseng Song-Zhu, and Ding-Hung Investment Co., Ltd.	Tseng Song-Zhu, and Ding-Hung Investment Co., Ltd.
NT\$30,000,000 (incl.) ~ NT\$50,000,000				
NT\$50,000,000 (incl.) ~ NT\$100,000,000				
NT\$100,000,000 and over				
Total	10	10	14	14

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 NT\$1,588 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 I 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: NT\$ thousand

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 (Note 1)	Tseng Song-Zhu	16,189	16,189	0	0	0	0	13,652	0	13,652	0	29,841 1.76%	29,841 1.76%	None
Vice President (Note 1)	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 2)	Liu Ming-Gen													

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

Note 1: Mr. Tseng Song-Zhu was relieved from the position of President on February 1, 2023, with Mr. Tseng Shang-Yuan assumed office as successor on the same date.

Note 2: The Vice President Liu Ming-Gen was promoted on August 16, 2023.

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 NT\$1,000,000		
NT\$1,000,000 (incl.) ~ NT\$2,000,000		
NT\$2,000,000 (incl.) ~ NT\$3,500,000		
NT\$3,500,000 (incl.) ~ NT\$5,000,000	Tseng Shang-Yuan, Zheng Wen-Xiang, Yuan Qi-Bin, Lai Ru-Ding, Tseng Ching-Cheng, Liu Ming-Gen	Tseng Shang-Yuan, Zheng Wen-Xiang, Yuan Qi-Bin, Lai Ru-Ding, Tseng Ching-Cheng, Liu Ming-Gen
NT\$5,000,000 (incl.) ~ NT\$10,000,000	Tseng Song-Zhu	Tseng Song-Zhu
NT\$10,000,000 (incl.) ~ NT\$15,000,000		
NT\$15,000,000 (incl.) ~ NT\$30,000,000		
NT\$30,000,000 (incl.) ~ NT\$50,000,000		
NT\$50,000,000 (incl.) ~ NT\$100,000,000		
NT\$100,000,000 and over		
Total	7	7

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.

*The Company assigns one Company Car for President at the annual rent of NT\$754 Thousand.

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 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, the after-tax profit shall refer 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, the after-tax profit shall refer 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, 2023

Unit: NT\$ thousand

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Total Amount to Profit after Tax (%)
Managers	President (Note 5)	Tseng Song- Zhu				
	President (Note 5)	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: 6)	Liu Ming- Gen				
	Associate Manager (Note: 7)	Li Bo-Lin	0	31,203	31,203	1.84%
	Associate Manager	Lai Tong- Sha				
	Associate Manager	Chang Zheng- Yong				
	Associate Manager	Wu Yu- Fan				
	Associate Manager	Wu Min- Fang				
	Associate Manager (Note: 8)	Chang Wen-Jie				
	Associate Manager (Note: 9)	Tang Jia- Hung				
	Associate Manager	Tsai Wei- Sheng				

	Associate Manager	Shih Qi- Xiang				
	Associate Manager (Note: 10)	Shih Wen- Lin				

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 attached table 1.

Note 5: Mr. Tseng Song-Zhu was relieved from the position of President on February 1, 2023, with Mr. Tseng Shang-Yuan assumed office as successor on the same date.

Note 6: The Vice President Liu Ming-Gen was promoted on August 16, 2023.

Note 7: The Associate Manager Lo Bo-Lin announced his retirement on December 31, 2023.

Note 8: The Associate Manager Chang Wen-Jie announced his retirement on June 30, 2023.

Note 9: The Associate Manager Tang Jia-Hung announced his retirement on February 28, 2023.

Note 10: The Associate Manager Shih Wen-Lin assumed office on January 1, 2023.

(4) Compare and describe the ratio of total remuneration to the Company's Directors, Independent Directors, President and Vice Presidents to net income by the Company and All Companies in the Consolidated Report in the most recent 2 years, and specify the Company's remuneration payment policy, standard and combination, and the relevance of procedure for determining remunerations to business performance and future risks:

1. Analysis on the ratio of total remuneration to the Company's Directors, General Manager(s) and Assistant General Manager(s) to net income by the Company and All Companies in the Consolidated Report in the most recent 2 years:

Item/Year	2023	2022
Ratio of total remuneration to the Company's Directors, Independent Directors, President and Vice Presidents to net income	6.08%	5.03%

2. Policies, standards, and composition of remunerations paid, the process for determining remuneration, and its relevance with business performance and future risks:

(1) The payment of remuneration to directors of the Company shall be handled in accordance with Articles 32 and 34 of the Company's Articles of Incorporation. Regardless of the Company's operating profits or losses, the Company may provide remuneration to directors. The amount of remuneration shall be determined by the Board of Directors based on the director's level of participation in the Company's operations, contribution value, and the general level in the industry. In the case of company profits, apart from Independent Directors, an amount not exceeding 5% shall be allocated as director's compensation, with the actual allocation ratio being 2.6% per year. Therefore, Independent Directors of the Company receive a fixed remuneration on a monthly basis, and all Independent Directors do not receive variable remuneration, only reimbursement for actual attendance at meetings.

The payment of remuneration to directors of the Company shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for approval, and reasonable remuneration shall be granted.

(2) The remuneration for the Company's supervisors (including the President and Vice President) mainly includes salaries, bonuses, and employee dividends, as well as allocations for retirement benefits and welfare benefits. The payment shall

be handled in accordance with the Company's salary management regulations and related rules and regulations, taking into account the Company's operational performance, individual performance, achievement of strategic goals, and industry standards. After review by the Remuneration Committee and approval by the Board of Directors, reasonable remuneration shall be granted to motivate and retain talent and enhance the Company's competitiveness. In the event of significant risk events that could affect the Company's reputation, improper internal management, or misconduct by personnel, bonuses may be reduced or withheld.

iii. Implementation of Corporate Governance

(1) Operation of Board of Directors:

The Board of Directors has 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%	
Director	Tseng Song-Ling	8	-	100%	
Director	Tseng-Lu Min-Hua	8	-	100%	
Director	Luo Cai-Ren	8		100%	
Director	Ding-Sheng Investment Co., Ltd. Rep.: Tseng Hui-Juan	6	1	75%	
Director	Ding-Hung Investment Co., Ltd. Rep.: Zheng Wen-Xiang	8	-	100%	
Director	Ding-Hung Investment Co., Ltd. Rep.: Yuan Qi-Bin	8	-	100%	
Director	Ding-Hung Investment Co., Ltd. Rep.: Lai Ru-Ding	8	1	86%	
Director	Ding-Hung Investment Co., Ltd. Rep.: Tseng Ching-Cheng	8	-	100%	
Independent Director	Chen Shui-Jin	8	-	100%	
Independent Director	Chen Jian-Nan	8	-	100%	

Independent Director	Tsai Wu-Ying	8	-	100%	
Independent Director	Lei Shin-Jung	8	-	100%	

Other Mentionable Items:

- 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:
 - Items specified in Article 14-3 of Securities Exchange Act. (Please refer to Pages 106 to 113)
 - 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.
- Concerning implementation of recusals from proposals which a director is a stakeholder, Name of Directors, Proposals, Reason for Required Recusal and Participation in Voting shall be specified:

Meeting Date	Name of Directors	Proposals	Reason for Required Recusal	Participation in Voting
2023.01.13	Tseng Song-Zhu Tseng-Lu Min-Hua	Changes in Personnel (President) of the Company	The two directors have recused themselves from the discussion and voting of this proposal as stakeholders.	The said personnel do not participate in the discussion and voting of this proposal in accordance with the benefit avoidance clauses under Article 15 of the Company's "Rules of Procedure for Board of Directors' Meetings".

- A 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, and enter the Implementation of the Board's Evaluation: Please refer to (2) Implementation Status of the Board of Directors Evaluations on Page 47.
- 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 adopted its "Regulations Governing Evaluation 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.

(2) Implementation Status of Board of Directors Evaluation:

1. Internal Self-Evaluation of the Company-Board of Directors Performance Evaluation

- (1) The performance evaluation results of the Board of Directors and its functional committees for the fiscal year 2023 of the Company were reported to the Remuneration Committee on March 14, 2024, and then submitted to the Board of Directors on March 14, 2024. The evaluation principles are as follows: Each sub-item under each evaluation item is presented in a 5-level rating scale, with the following explanations for the evaluation levels:

Figure 1: Very Poor (Strongly Disagree)

Figure 2: Poor (Disagree)

Figure 3: Moderate (Normal)

Figure 4: Good (Agree)

Figure 5: Excellent (Strongly Agree)

Please refer to the table below for the evaluation results. The overall performance of the Board of Directors, individual board members, and functional committees are all rated as "Excellent". The comprehensive results indicate that the Board of Directors and its functional committees are operating well and may effectively promote the Company's sustainable operations, social responsibility, risk management, and implement good corporate

governance practices in compliance with relevant laws and regulations.

The cycle, period, scope, method, and content of the evaluations, and the implementations of the Board's Evaluation are as follows:

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Scope of Evaluation (Note 3)	Evaluation Method (Note 4)	Evaluation Items (Note 5)	Evaluation Result
Once a year	2023.1.1-2023.12.31	Board of Directors Performance Evaluation	Board of Directors Internal Self-Evaluation	<ol style="list-style-type: none"> 1. Degree of Participation in Company Operations 2. Enhancement of Decision-Making Quality by the Board of Directors 3. Composition and Structure of the Board of Directors 4. Election and Continuing Education of the Directors 5. Internal Control 	Weighted Average Score: 4.76
Once a year	2023.1.1-2023.12.31	Directors Performance Evaluation	Self-Evaluation by directors	<ol style="list-style-type: none"> 1. Grasp over Company Goals and Tasks 2. Awareness of Duties and Responsibilities of Directors 3. Degree of Participation in Company Operations 4. Management and Communications of Internal Relations 5. Professionalism and Continuing Education of Directors 6. Internal Control 	Weighted Average Score: 4.78
Once a year	2023.1.1-2023.12.31	Audit Committee Performance Evaluation	Self-Evaluation by Audit Members	<ol style="list-style-type: none"> 1. Degree of Participation in Company Operations 2. Awareness of Duties and Responsibilities of Audit Committee 3. Enhancement of Decision-Making Quality by the Audit Committee 4. Composition and Election of Members of the Audit Committee 5. Internal Control 	Weighted Average Score: 4.73
Once a year	2023.1.1-2023.12.31	Remuneration Committee Performance Evaluation	Self-Evaluation by Remuneration Members	<ol style="list-style-type: none"> 1. Degree of Participation in Company Operations 2. Awareness of Duties and Responsibilities of Remuneration Committee 3. Enhancement of Decision-Making Quality by the Remuneration Committee 4. Composition and Election of Members of the Remuneration Committee 5. Internal Control 	Weighted Average Score: 4.85

Note 1: Enter implementation cycle of the Board of Directors Evaluation e.g. Once a year.

Note 2: Enter the period covered by the Board of Directors Evaluation e.g. The evaluation was

made on the performance of Board of Directors from January 1 to December 31, 2019.

Note 3: The scope of evaluation covers Board of Directors, individual directors and functional committees.

Note 4: The methods of evaluation include Internal Self-Evaluation by the Board of Directors, self-evaluation by directors, peer evaluations, and performance evaluation through entrusted external professional institution, experts or through other manners.

Note 5: By scope of evaluation, the evaluation items shall include at least the following items, varied by roles under evaluation:

- (1) Performance Evaluation on Board of Directors: the items shall at least include Degree of Participation in Company Operations, Enhancement of Decision-Making Quality by the Board of Directors, Composition and Structure of the Board of Directors, Election and Continuing Education of Director, and Internal Control.
- (2) Performance Evaluation on Individual Directors: the items shall at least include Grasp over Company Goals and Tasks, Awareness of Duties and Responsibilities of Directors, Degree of Participation in Company Operations, Management and Communications of Internal Relations, Professionalism and Continuing Education of Directors, and Internal Control.
- (3) Performance Evaluation on the Functional Committees: the items shall at least include Degree of Participation in Company Operations, Awareness of Duties and Responsibilities of Functional Committees, Enhancement of Decision-Making Quality by the Functional Committees, Composition and Election of Members of the Functional Committees, and Internal Control.

(3) Operation of the Audit Committee:

1. The Company has established a four-member independent audit committee, among which includes one female independent director, with the aim of overseeing the proper expression of the Company's financial statements, the selection (dismissal) and independence and performance of the auditors, the effective implementation of the Company's internal controls, compliance with relevant laws and regulations, and the management of existing or potential risks. Please refer to the director's professional qualifications and independent director's independence information disclosure for the professional qualifications and experience of the audit committee members (please see Pages 21-27).
2. The key areas of focus for the Audit Committee in the year 2023 include:
Annual standalone and consolidated financial statements, annual earnings distribution, annual audit plan formulation, internal control system, loan of funds by the Company and its subsidiaries, endorsements and guarantees by the Company for its subsidiaries, evaluation of the independence and suitability of the auditors, self-assessment questionnaire for the performance evaluation of the Audit Committee, and compliance with regulations.
3. The Audit Committee has convened 5 (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
Independent Director	Chen Shui-Jin	5	-	100%	
Independent Director	Chen Jian-Nan	5	-	100%	
Independent Director	Tsai Wu-Ying	5	-	100%	
Independent Director	Lei Shin-Jung	5	-	100%	

Other Mentionable Items:

1. Where there is any of the following circumstances in the operation of the audit committee, Date of Audit Committee Meeting, Period, Proposals, Independent Director Objections, Reservations or Material Suggestions, Resolutions by the Audit Committee and Response 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	Proposals	Resolutions by the Audit Committee	Response by the Company
2023.01.13	1. To review Loaning of Funds by the Company and its Subsidiaries.	Adopted by all attending members (Independent Director Objections or Qualified Opinion: None)	Approved by all attending directors in the Board of Directors meeting on 2023.01.13.
2023.03.30	1. To review the Company's 2022 Business Report. 2. To review the Company's 2022 Standalone and Consolidated Financial Reports. 3. To review the Company's 2022 Earnings Distribution. 4. To review the Company's 2022 "Statement on Internal Control". 5. To review Loaning of Funds by the Company and its Subsidiaries. 6. To Evaluations on Independence and Suitability of the Attesting CPAs for the Company. 7. To Pre-Approve the Provision of Non-Assurance Services by Attesting CPAs and Their Firm and Associates to the Company and its Subsidiaries. 8. To review 2023 Audit Fee of the Company. 9. Replacement of the Company's Attesting CPAs. 10. Credit by ING Bank N.V. to Reinvestment Businesses of the Company	Adopted by all attending members (Independent Director Objections or Qualified Opinion: None)	Approved by all attending directors in the Board of Directors meeting on 2022.03.23.

Date of Audit Committee Meeting	Proposals	Resolutions by the Audit Committee	Response by the Company
2023.05.10	1. To review Q1 2023 Consolidated Financial Statements of the Company. 2. To review the Approval of Funds Loan by the Company.	Adopted by all attending members (Independent Director Objections or Qualified Opinion: None)	Approved by all attending directors in the Board of Directors meeting on 2023.05.10.
2023.08.11	1. To review the Company's Q2 2023 Consolidated Financial Statements of the Company. 2. To review the Approval of Funds Loan by the Company.	Adopted by all attending members (Independent Director Objections or Qualified Opinion: None)	Approved by all attending directors in the Board of Directors meeting on 2023.08.11.
2023.11.09	1. To review the Company's Q3 2023 Consolidated Financial Statements of the Company. 2. To review Loaning of Funds by the Company and its Subsidiaries. 3. To review the Company's Promulgation of 2024 Audit Plan. 4. To review the loans of MERIDA Bicycle (Shandong) Co., Ltd. under commission to MERIDA Bicycle (Jiangsu) Co., Ltd. 5. Proposal to provide endorsement and guarantee to MERIDA Bicycle (Jiangsu) Co., Ltd.. 6. To provide loan of funds to MERIDA BENELUX B.V.	Adopted by all attending members (Independent Director Objections or Qualified Opinion: None)	Approved by all attending directors in the Board of Directors meeting on 2023.11.09.

(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, Proposals, 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	Proposals	Communication Method	Communication Result
2023.03.30	1. Audit Results and Adjustments to the Company's 2022 Annual Financial Report. 2. Explanations on 2022 Key Audit Matters (KAM). 3. Pre-Approval of Non-Assurance Services by the	Presentation and Discussions	Acknowledged with no further opinions.

	Company's Governance Unit. 4. Follow-Up on De-stocking Matters		
2023.11.09	<ol style="list-style-type: none"> 1. Review Results and Adjustments to the Company Q3 2023 Financial Report. 2. Explanations on the Scope, Manners and Schedule Adopted in Audits to Merida Group by Deloitte for the Year 2023. 3. Explanations on Identification of Significant Risks. 4. Explanations on 2023 Key Audit Matters (KAM). 5. Brief Introduction to Audit Team. 6. Influence of Counter-Espionage Law of the People's Republic of China on Business Trips for Auditing to Mainland China (China, Hong Kong S.A.R., and Macau S.A.R.). 7. Follow-Up on De-stocking Matters. 8. Self-Prepared Financial Information shall be reported within 75 days from the end of fiscal year. The Duration for Synchronizing the Audit Financial Report for the Appropriate Year with the Self-Prepared Financial Information shall be expedited. 	Presentations and Discussions	Acknowledged with no further opinions.

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.

(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	Abstract Illustration	
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 adopted its “Corporate Governance Best Practice Principles” and announced it on the official website.	None
2. Shareholding Structure & Shareholders’ Rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓ ✓ ✓		(1) The Company has formulated the “Stock Affairs Management Regulations” and has appointed dedicated personnel to handle stock affairs in accordance with procedures. (2) The Company may obtain the list of the actual controllers of the major shareholders and the ultimate controllers of the major shareholders at any time. (3) The Company and its related enterprises are clearly delineated. In addition to establishing relevant operational procedures, the audit personnel also conduct regular audits. (4) The Company has established the	None

Evaluation Items	Operation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		<p>"Operational Procedure for Management over Prevention of Insider Trading" and conducts related educational and advocacy activities on an annual basis.</p> <p>The Company has set forth regulations related to preventing insider trading in the "Corporate Governance Best Practice Principles" to safeguard shareholder rights, ensure equal treatment of shareholders, and prohibit insiders from trading securities based on undisclosed information in the market. The regulations include trading control measures for insiders from the day they become aware of the Company's financial reports or related performance information, including (but not limited to) Directors not being allowed to trade their stocks during a closed period of thirty days before the announcement of annual financial reports and fifteen days before the announcement of quarterly financial reports.</p>	

Evaluation Items	Operation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Illustration	
3. Composition and Duties of Board of Directors				
(1) Does the Board of Directors formulate diversity policies and specific management goals and implement them?	✓		(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 Pages 26-27.	(1) None
(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?		✓	(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". The Company in the meantime is taking progressive steps in the	(2) Various salary and compensation management rules, important policies and management regulations of the Company are
(3) Does the Company adopt its Regulations	✓			

Evaluation Items	Operation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Illustration	
<p>Governing Evaluation 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?</p> <p>(4) Does the Company regularly evaluate the independence of the CPA?</p>	✓		<p>evaluation and establishment of the "Risk Management Committee", a functional committee affiliated with the Board of Directors.</p> <p>(3) The Company has adopted its "Regulations Governing Evaluation of Board of Directors Performances" and conducted performance evaluation on an annual basis, with results of such evaluation (see Pages 48-49) submitted to the Board of Directors, which will be further applied as references in determining remuneration of independent director and nomination and term renewal.</p> <p>(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 116-119.</p>	<p>examined by Remuneration Committee and Audit Committee and submitted to the Board of Directors for resolution before implementation by the management team. No difficulty has been met in the process.</p> <p>(3) None</p> <p>(4) None</p>
<p>4. Does the TWSE/TPEX Listed Company assign a competent and appropriate number of corporate governance personnel, and appoint a Governance Manager who is</p>	✓		<p>1. The appointment of the Company's Governance Manager is adopted by the Board of Directors and announced on the Corporate Website.</p>	<p>None</p>

Evaluation Items	Operation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Illustration	
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.)?			<p>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:</p> <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. 4. 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 	

Evaluation Items	Operation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N	Abstract Illustration	
			the investors. 6. Other matters set out in the Articles or Incorporation or contracts.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Corporate Website has a dedicated “Stakeholders” section and has a dedicated department to appropriately respond to comments and feedback from stakeholders.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		To protect the rights of shareholders in participating in shareholders' meetings, the Company has appointed an independent and professional share registrar to handle matters related to shareholders' meetings.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Corporate Website has an “Investor Information” section to disclose financial operations and corporate governance information.	None
(2) Does the Company have other information disclosure channels (e.g. building an English	✓		(2) The Company has established an English website and assigned a dedicated person to	

Evaluation Items	Operation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Illustration	
<p>website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit</p>		✓	<p>collect and disclose information on both the Chinese and English websites. The Company holds timely press conferences, and in accordance with Company policies and needs, designates a spokesperson to communicate with the public, ensuring the implementation of the spokesperson system (the process of press conferences is uploaded to the TWSE website as required).</p> <p>(3) The Company complies with laws and regulations by announcing and reporting quarterly financial reports within the specified deadlines.</p>	
<p>8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records,</p>	✓		<p>1. Employee Benefits and Employee Care: Please refer to Section v on page 147 for Labor Relations.</p> <p>2. Investor Relations: The Company has established a spokesperson system responsible for interacting with the investing public. The Chinese and English</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	Abstract Illustration	
the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and independent directors)?			<p>websites have designated individuals in charge of information collection, disclosure, and handling.</p> <p>3. Supplier Relations: The Company has always maintained a good relationship with its suppliers.</p> <p>4. Rights of Stakeholders: Stakeholders have the right to communicate and provide suggestions to relevant personnel of the Company to safeguard their legitimate rights and interests.</p> <p>5. Continuing Education for Directors and Independent Directors: The Company's directors and independent directors fulfill the required hours of continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." For information on the continuing education status of directors and independent directors, please refer to MOPS.</p> <p>6. Execution of Risk Management Policies</p>	

Evaluation Items	Operation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Illustration	
			<p>and Risk Measurement Standards: The Company has established various management regulations as guidelines for departments to implement and cooperates with internal audits for risk management and assessment.</p> <p>7. Implementation of Customer Policy: The Company has a customer service center hotline and discloses relevant company information on the Corporate Website at all times to provide channels for consumers to contact and access information.</p> <p>8. Director and Independent Director Liability Insurance: The Company has insured liability insurance for Directors and key employees.</p>	

Evaluation Items	Operation Status (Note 1)		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N		
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measure (No need to enter if the item is not included as company under evaluation):</p> <p>1. Improvements made within the most recent year:</p> <p>(1) The Company uploads the English version of the annual report and annual financial report seven days prior to the shareholders' meeting.</p> <p>(2) The Company uploads the shareholders' meeting manual and supplemental materials 30 days prior to the regular shareholders' meeting.</p> <p>(3) The Company uploads the annual report 18 days prior to the regular shareholders' meeting.</p> <p>(4) The Company is invited to hold three corporate briefings within the same year, with a minimum interval of three months between the first and last briefings.</p> <p>(5) The Company has adopted its “Regulations Governing Evaluation of Board of Directors Performances”, effective from 2020.</p> <p>2. Where not improved, the Company shall propose matters for reinforcement and measures in priority:</p> <p>(1) The Company is evaluating the establishment of the “Risk Management Committee”, a functional committee affiliated with the Board of Directors.</p>				

Note 1: Please specify in Abstract Illustrations no matter if a “Y” or “N” is ticked.

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

1. Composition of the Remuneration Committee:

(1) 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.

(2) 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.

(3) Information of Remuneration Committee members:

April 28, 2024

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 (Convenor)	Chen Jian-Nan	The Company's Remuneration Committee member Chen Jian-Nan is an independent director. For his/her Professional Qualifications and Experience, please refer to Page 21 "Disclosure on Professional Qualifications of Directors and Independence of Independent Directors". 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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act.(Note 5).	All members in the Remuneration Committee meet the following criteria: 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).	0

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 21 "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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act (Note 5).	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. 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. Does not meet any of the circumstances prescribed in subparagraphs of Article 30 of the Company Act (Note 5).		0

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 16 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; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship has not yet been revoked.

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 2023, with the attendance by members as follows:

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

Other Mentionable Items:

1. Where the Board of Directors does not adopt or amend suggestions by the Remuneration Committee, Date of Board of Directors Meeting, Period, Proposals, Board of Directors Resolutions, and Response 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.
2. 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, Proposals, Opinions from All Members and Handling of Opinions from the members shall be specified: None.
3. Reasons for Discussions in Remuneration Committee and Resolutions thereof, and Response by the Company:

Date of Remuneration Committee Meeting	Proposals	Remuneration Committee Resolutions	Response by the Company
2023.01.13	1. To review the Company's Distribution of 2022 Year-end Bonus for Employees. 2. To review the Company's Proposal of Employee Salary Adjustment.	Adopted by all attending members	Approved by all attending directors in the Board of Directors meeting on 2023.01.13.

2023.03.30	1. To review the Company's 2022 Performance Evaluation Results for the Board of Directors and Individual Directors Evaluation Result. 2. To review the Company's Distribution of 2022 Employees and Directors' Remunerations. 3. To review the Company's 2023 Proposal of Employee Salary Adjustment.	Adopted by all attending members	Approved by all attending directors in the Board of Directors meeting on 2023.03.30.
2023.08.30	1. To review the Company's Distribution of 2022 Directors' Remunerations 2. To review the Company's Distribution of 2022 Employees' Remunerations.	Adopted by all attending members	Approved by all attending directors in the Board of Directors meeting on 2023.09.01.

- 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	Abstract Illustration	
1. Does the Company promote governance structure for sustainable development and establish a dedicated (concurrent) unit for promoting sustainable development, with corresponding handling by senior management under authorization of the Board of Directors? If so, please describe the status of supervision by the Board of Directors.	✓		<p>1. To implement and promote sustainable development, the Company established the "MERIDA ESG Promotion Committee" in 2022 to drive corporate governance, risk management, corporate social responsibility, climate change strategies, environmental protection, and other related initiatives. The Committee aims to stay informed about global sustainable development trends, focus on sustainable issues such as corporate governance, environmental protection, and social responsibility, align with operational development goals, and set strategic sustainable directions and project implementations.</p> <p>2. The Chairman serves as the highest management representative of the "MERIDA ESG Promotion Committee" and oversees the supervision of sustainable development policies and specific implementation plans. The Chairman leads the various subcommittees of the committee to enhance the overall effectiveness among departments, ensuring the effective implementation of</p>	None

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
			<p>various sustainability initiatives. The President serves as the Chairman of the committee and the Chairman acts as the advisory member and supervisor of the implementation progress.</p> <p>3. The Committee's subcommittee members regularly analyze and review performance and progress towards goals, and hold ad-hoc discussions on significant topics. Each relevant subcommittee of the ESG Promotion Committee reports on the sustainability promotion plan and performance achievements to the Board of Directors at least once a year. The Board of Directors supervises the implementation of various plans. The preparation of the Sustainability Report is the responsibility of the Company's management, who must exercise due care and ensure the quality of the Sustainability Report. After the completion of the Sustainability Report, it is submitted to the Board of Directors for review before being published.</p>	
2. Does the Company assess ESG risks associated with its operations based on the principle of	✓		1. The Company has adopted its "Sustainable Development Best Practice Principles" and announced	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	Abstract Illustration	
materiality, and establish related risk management policies or strategies? (Note 2)			<p>them on the Corporate Website to manage issues related to corporate governance, risk management, corporate social responsibility, climate change strategies, and environmental protection, furthermore fulfilling the goals of corporate social responsibility and sustainable development.</p> <p>2. The Company has established an internal control system focusing on domestic and international developments. It reviews and improves the Company's risk management processes to enhance the effectiveness of risk management. The internal control system follows a policy of preventive measures to minimize losses caused by risks. Relevant departments are also vigilant in identifying risk factors and taking appropriate response measures and improvement actions to adapt to the constantly changing market environment and achieve the Company's sustainable business objectives. Based on such, the Company assesses and manages potential risks related to operational, environmental, social, and corporate governance issues, with the assessment</p>	

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	Abstract Illustration	
			boundaries primarily focused on the Taiwan headquarters. Please refer to Note 3 for more information.	
<p>3. Environmental Issues</p> <p>(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has adopted relevant operational procedures for air pollution, wastewater, and waste treatment in accordance with legal regulations.</p> <p>(2) The Company is committed to responding to the national energy conservation goals. By continuously investing in energy-saving measures and replacing energy-consuming equipment, the Company ensures the optimal use of energy. The Hand-Built Wheelset Div. implemented a replacement of air cooled water chillers in 2023, which contributed to an electricity saving by 4,794 kW·h annually. The Company plans to introduce in 2024 the ISO 50001 energy management system related to future energy supply and monitor and oversee energy use to rectify any deficiencies, meanwhile attempting to reduce energy</p>	None

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
			<p>consumption and expenditures, lower carbon emissions, and achieve the government's carbon reduction targets by improving overall performance. In addition, the Company plans to invest in the construction of solar green energy and energy storage equipment in 2024, continuing to promote the green energy transformation of the enterprise.</p> <p>With the adoption of policies and joint effort by the staff, the Company's product energy consumption intensity in 2023 decreased by 2% compared to 2022, with a total electricity savings of 8,340 kW·h, equivalent to a reduction of 4.12 metric tons of CO₂e emissions. The energy conservation target set by the Bureau of Energy, Ministry of Economic Affairs is to achieve annual electricity saving rate and average annual electricity saving rate of 1% or more from 2015 to 2024, and the Company achieved an average electricity saving rate of 1.58% from 2015 to 2023, which is more preferable than the regulatory</p>	

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
			<p>threshold.</p> <p>In addition, the Company's raw materials include aluminum, rubber, and paper, among which the main sources of aluminum are Taiwanese and Chinese manufacturers, with a proportion of approximately 10% to 15% of recycled materials used; rubber is primarily from Taiwanese, Chinese, and Vietnamese manufacturers, with a proportion of approximately 20% of recycled materials used; paper is primarily from Taiwanese manufacturers, with a proportion of approximately 85% to 90% of recycled materials used.</p> <p>To reduce the waste of cardboard boxes used in the packaging of external boxes, the Company has provided guidance to several major suppliers to use reusable containers to reduce the waste of paper packaging materials provided during delivery. For example, EPE bags and bubble bags are reused in packaging frame assembly products, achieving cost savings in packaging materials and achieving the</p>	

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	Abstract Illustration	
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<p>sustainable value of recycling.</p> <p>(3) In addition to controlling operational and governance-related risks through internal control and internal audit systems, the Company also introduced the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2023 to identify the risks and opportunities related to climate-related financial aspects. It has set relevant measures and response strategies to mitigate potential financial losses caused by risks. MERIDA applies the climate risk and opportunity matrix to incorporate sustainable business strategies such as energy conservation, carbon reduction, and water saving into its business planning to turn crises into opportunities and to create greater benefits for the Company. For the process and measures taken to identify potential risks and opportunities related to climate change in 2023, please refer to Note 4.</p>	
(4) Does the Company take inventory of its	✓		<p>(4) The Company has compiled the GHG emissions, water consumption, and total waste weight for the</p>	

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			past two years and has formulated relevant implementation policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management. Please refer to Pages 143-147 for information on iv. Environmental Protection Expenditure.	
4. Social Issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company considers its employees to be an important factor in its stable development. It strictly adheres to labor and human rights regulations, treats all employees fairly and with respect, and is committed to creating a friendly workplace. Therefore, the Company has adopted the "Work Rules", " Measures Governing Management of Sexual Harassment Prevention at Workplaces" and other related management regulations for employee appointments, retirements, and more, in accordance with relevant labor laws, to safeguard employee rights.	None
(2) Does the Company have reasonable employee	✓		(2) The Company has adopted and implemented	

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	
<p>benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p> <p>(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	✓		<p>reasonable employee welfare measures. Please refer to Page 147 for information on v. Labor Relations.</p> <p>(3) 1. The Company, in accordance with the law, holds an Occupational Safety and Health Management and Fire Safety Committee meeting once every quarter. The Committee assists in conducting hazard assessments, identifying and evaluating potential workplace hazards, and proposing corresponding control measures and recommendations to mitigate the impact on employee health and safety. The effectiveness of safety and health measures is reviewed regularly, data is analyzed, and improvement suggestions are made. The Committee engages itself or guides accident investigations, determining causes and accountability, and proposing preventive measures to avoid recurrence of similar incidents. The Safety and Health Committee plans and makes decisions on issues related to occupational</p>

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	Abstract Illustration	
			<p>safety and health, ensuring employee participation, consultation, and communication. The Company has planned to implement the ISO 45001 system between 2027 and 2029.</p> <p>2. To maintain employee health, the Company offers annual employee physical examinations. Two occupational health service nurses are additionally appointed in accordance with regulations, and monthly on-site services are provided by physicians with professional qualifications in occupational medicine including health education and medical consultations for employees.</p> <p>3. In 2023, there were no occupational injuries involving employees and non-employees (0 incidents). The Company regularly replaces unclear operation equipment signage and labels, and conducts well-planned and executed measures for the maintenance of foolproof mechanisms for machinery and operational</p>	

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations																		
	Y	N																				
(4) Does the Company provide its employees with career development and training sessions?	✓		<p>training for personnel.</p> <p>4. There were no incidents relating to fire in 2023 (0 incidents).</p> <p>5. In 2023, the Company conducted a series of occupational safety and health-related education and training, with statistics are as follows:</p> <table border="1"> <thead> <tr> <th>Training Name</th> <th>Number of Trainees</th> <th>Training Cost (in NT\$)</th> </tr> </thead> <tbody> <tr> <td>Fire Safety Drills</td> <td>40</td> <td>0</td> </tr> <tr> <td>Retraining for First-Aid Staff</td> <td>34</td> <td>16,000</td> </tr> <tr> <td>Retraining for Forklift Operators</td> <td>79</td> <td>20,000</td> </tr> <tr> <td>Retraining for Occupational Safety Manager (Management Specialist)</td> <td>4</td> <td>0</td> </tr> <tr> <td>Retraining for Operator of Specified High-Pressure Gas (Equipment).</td> <td>1</td> <td>600</td> </tr> </tbody> </table> <p>(4) 1. The Company values talent development and constantly strives for the improvement of</p>	Training Name	Number of Trainees	Training Cost (in NT\$)	Fire Safety Drills	40	0	Retraining for First-Aid Staff	34	16,000	Retraining for Forklift Operators	79	20,000	Retraining for Occupational Safety Manager (Management Specialist)	4	0	Retraining for Operator of Specified High-Pressure Gas (Equipment).	1	600	
Training Name	Number of Trainees	Training Cost (in NT\$)																				
Fire Safety Drills	40	0																				
Retraining for First-Aid Staff	34	16,000																				
Retraining for Forklift Operators	79	20,000																				
Retraining for Occupational Safety Manager (Management Specialist)	4	0																				
Retraining for Operator of Specified High-Pressure Gas (Equipment).	1	600																				

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		<p>professional capabilities. It provides a systematic learning system and environment to promote a culture of proactive learning by employees and assistance from supervisors. Therefore, the Company has established a comprehensive education system, such as training for new employees, annual training needs and budget surveys, and professional skills training. The Company also provides trainer training and on-the-job training programs to meet the needs of both the Company and individuals' development. The Company is dedicated to building an environment with abundant learning opportunities to facilitate the professional growth of its employees.</p> <p>2. The supervisors in various responsible units of the Company may also arrange for its employees (subordinates) to participate in courses offered by external professional training institutions based on their needs to enhance their professional</p>	

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
			<p>development and market competitiveness.</p> <p>(5) The Company ensures that its products fully comply with various international and domestic standards and regulations, such as ISO 4210 Cycles— Safety requirements for bicycles, ISO 8098 Cycles (Safety requirements for bicycles for young children), CPSC 1512 U.S. Requirements for Bicycles, EN15194 European Union Bicycle Standards, JIS Japanese Industrial Standard, CNS 15138 Method of test for determination of phthalates plasticizers in plastic products - Part 1: Gas chromatography/mass spectrometry, CNS 13371 Eye Protection (for Protective helmets for drivers and passengers of motorcycle and mopeds), CNS 15557 Lighting Equipment for Bicycles, CNS 14976 Safety requirements for bicycles for young children., CNS 15289 Determination of the aromaticity of oil in vulcanized rubber compounds, CNS 4797 Safety of toys, and standards from the Bureau of Standards, Metrology, and Inspection of the Ministry of</p>	

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	
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental	✓		<p>Economic Affairs. The Company discloses relevant service information and labeling on products, user manuals, and websites. For internal processes and supplier products and processes, testing and inspection are conducted according to relevant regulatory requirements, and supporting test reports are provided. Regular or random sampling inspections and audits are performed. If any non-compliant results are found, immediate improvement is requested, and continuous monitoring or shortening of the audit period is implemented. As of 2023, the Company had no violations of product health and safety, labeling and marketing communication regulations, and there were no incidents of recalls or CPSC enforcement notifications.</p> <p>The Company adheres to relevant domestic and export country regulations and international standards regarding customer health and safety, customer privacy, marketing, and labeling issues</p>

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
protection, occupational health and safety, or labor and human rights? If so, describe the results.			<p>related to our products and services. The Company comply with the "Personal Data Protection Act" to protect customer privacy, following the Company's internal "Regulations governing Personal Data Protection Management". These measures include access control for files, restricting data use to business execution, projects, activities, and internal administrative purposes. The Company conducts regular training and audits to ensure the protection and management of customer personal data. In addition, the Corporate Website has a stakeholder section with a customer service hotline to protect consumer or customer rights and maintain open complaint channels. In 2023, the Company did not experience any information security incidents, cyber-attacks, customer data breaches, privacy infringements, or customer complaints.</p> <p>(6) 1. The Company establishes long-term and stable partnerships with suppliers and is committed to jointly fulfilling social responsibilities. In 2023, the</p>	

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
			<p>Company conducted ESG surveys on 11 key existing suppliers, based on a comprehensive evaluation by parts supplied (important parts including carbon fiber frames, shock absorbers, gear sets, chain sets, and hubs) and transaction amounts. Among these suppliers, four have implemented the GRI 300 series or ISO 14001 environmental management systems. The remaining seven have specific energy management and conservation measures but are yet to obtain the aforementioned certifications. With the implementation of ESG strategy, the Company intends to expand the scope of surveys starting in 2024, among which the Company will begin with first-tier suppliers to assess their compliance with production standards, social responsibility, and codes of conduct. In addition, the Company is developing a comprehensive supplier social responsibility audit mechanism to categorize and review suppliers and furthermore understand</p>	

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	Abstract Illustration	
			<p>violations of the code of conduct; where a supplier breaches relevant guidelines, the supplier will be immediately required by the Company to submit an improvement plan for review and corrective actions within a specified timeframe.</p> <p>2. To ensure mutual understanding between the Company and the suppliers, the Company prioritizes their publication of ESG reports, followed by their supply capabilities, quality control, and development technology in the process of evaluation for cooperation. Currently, for the social responsibility aspect of suppliers, an item regarding the implementation of ESG has been added to the latest version of the supplier profile form. If a supplier implements ESG, they will be required to provide relevant evidence, and if verified, they will be included in the list of preferred suppliers for adoption.</p>	

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	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepared reports that disclose non-financial information of the Company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?	✓		<p>1. The Company follows the GRI Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI) in accordance with the GRI 2021 Guidelines. It adheres to the 8 reporting principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability. It also aligns with the Sustainability Accounting Standards Board (SASB) standards for the Toys & Sporting Goods industry and corresponds to the United Nations Sustainable Development Goals (SDGs) and the disclosure of climate-related information for listed companies. The conducts have covered the stakeholder-concerned materiality and coheres to ESG strategies, showcasing the Company's determination in continued improvement at the ESG aspects.</p> <p>2. Although the Company's 2023 Sustainability Report has not been externally verified by a third-party entity, it ensures the accuracy of all disclosed information through rigorous internal controls and auditing mechanisms. In the future, the Company will continue to communicate</p>

Items of Promotion	Implementation Status (Note 1)		Abstract Illustration	Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Y	N		
			its corporate social responsibility and sustainable business achievements to stakeholders through the publication of reports on an annual basis.	
<p>6. Describe the difference, if any, between actual practice and the sustainable development principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: The Company's "Sustainable Development Best Practice Principles" has been disclosed on the Company's website. The operation contains no deviation from the provisions of the Principles.</p>				
<p>7. Other useful information for explaining the status of corporate social responsibility practices: 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.

Note 3: The Company assesses and takes risk management measures regarding operational environmental, social, and corporate governance issues as follows:

Scopes of Risk Control		
Type	Potential Risks	Countermeasures
Information Security Risks Management	<ol style="list-style-type: none"> 1. Equipment affected by force majeure disasters such as earthquakes, fires, etc. 2. Data infected by viruses 3. Data theft 4. Subjected to hacker attacks 	<ol style="list-style-type: none"> 1. The Company establishes its Information Security Management System (ISMS) to reduce enterprise security threats from system, technical, and procedural perspectives, and to create confidential information protection services that meet customer requirements. 2. The Company establishes environmental control and disaster prevention measures, as well as off-site data backup for equipment rooms. 3. The Company installs antivirus software to applicable devices and regularly update versions and virus definitions. 4. The Company implements access control devices and personnel management for equipment rooms and manage user data permissions to ensure data confidentiality. 5. Timely update and regular inventory of software, hardware, and user devices for auditing purposes are made. 6. The Company enhances awareness of malicious attacks on emails, software, files, etc. of its employees, and improves their awareness of information security.
Financial Risks	<ol style="list-style-type: none"> 1. Exchange rate and interest rate risks 2. Credit risk 3. Liquidity risk 	<ol style="list-style-type: none"> 1. Mitigating risks through timely application of derivative financial instruments, such as forward foreign exchange contracts to hedge against exchange rate risks arising from imports and exports. 2. Signing fixed-rate loan agreements with banks to reduce interest rate fluctuations over the loan period, or opt for short-term loans that can be renegotiated quickly in case of interest rate changes. 3. Monitoring financial status of customers and conducting aging analysis to avoid financial losses caused by customer defaults on contractual obligations. 4. Maintaining sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations; the Company's management supervises the utilization of bank financing facilities and ensures compliance with contract terms.
Risks from Management of Intellectual Property Rights	Infringement of intellectual properties (e.g. trademarks, patents, or copyrights)	<ol style="list-style-type: none"> 1. Signing of licensing agreement is required when granting others the rights of intellectual property. 2. When intellectual property rights are unlawfully infringed, legal personnel of the Company shall proactively work with relevant departments and attorneys at law to take effective protective measures.

Note 4: The Company recognizes the potential risks and opportunities associated with climate change, both in the present and the future. The processes and response measures it undertakes are as follows:

Step 1: Background Information Collection	Step 2: Evaluating Scopes of Risks and Operations	Step 3: Analyses on Risks and Operation Impacts	Step 4: Setting of Management Measures and Goals
<p>After reference to the suggestions from climate-related financial disclosure reports and guidance on relevant topics and processes by external experts, the Company, after learning the meanings of individual risks and opportunities, conducts data collection and scenario setting.</p>	<p>Based on the scope of covered risks, the Company decides to focus on considering and assessing the risks to MERIDA's Headquarters in Taiwan from 2022 onwards.</p>	<p>By evaluating the financial impacts and likelihood of each risk and opportunity and scoring them accordingly, discussions and deliberations are held with senior management and external consultants. Ultimately, three risks and one opportunity are identified. Going forward, the Company will perform financial impact assessment based on scenario settings (physical risk RCP8.5, NDC scenario, TCCIP physical risks, IPCC AR6 SSP1-2.6, and SSP5 baseline scenario transition risks)</p>	<p>After identifying the risks and opportunities, discussions are conducted to explore possible strategies to mitigate the financial impacts of the risks and set goals for their achievement; feasible approaches for realizing the opportunity are also discussed, and data gathering and implementation plans are expected to begin in the coming years.</p>

MERIDA INDUSTRY CO., LTD. Risk Identification Results			
Risk Type	Risk Topics	Risk Description	Relevant Countermeasures
Transformation Risks	Regulations- Raising the Price for GHG Emission	The Company primarily manufactures generic bicycles and electrical power assist bicycles and actively promotes GHG reduction to align with national policies. Many countries are also implementing carbon taxes or carbon fee systems, progressively increasing the carbon tax rates in stages, which will significantly increase production costs and reduce competitiveness for industries with high carbon emissions or high electricity consumption.	<ul style="list-style-type: none"> ● In the future, the Company will actively comply with international greenhouse gas regulations and calculate emissions according to the reporting formats and cycles specified by each country. The calculated emissions will be reported to the government after verification by third-party verification organizations (related third-party verification fees for carbon inventory: approximately NT\$300,000 per year). ● The Company has progressively promoted the adoption of ISO 14001 Environmental Management System, ISO 14064-1 Greenhouse Gas Inventory (implemented), and ISO 50001 Energy Management System to establish control over GHG emissions within the Group. The one-time cost of system implementation is estimated to be NT\$600,000, and the cost for periodic ISO system verification is NT\$900,000 per year. ● In 2023, the Company's combined Scope 1 and Scope 2 GHG emissions totaled 5,607.6404 tons of CO₂e (self-assessed). At an estimated cost of NT\$300 per ton, the Company's annual carbon fee expenditure is NT\$1,682,292 (assuming no further increase in emissions in the future).
	Regulations – 2050 Net-Zero Emission Control 2050	In April 2022, the Taiwanese government renamed the amendment to the "Greenhouse Gas Reduction and Management Act" as the "Climate Change Response Act" and formulated a 2050 net-zero emissions policy. It cannot be ruled out that the government may gradually expand the tax scope to include other industries in the future and take economic measures to achieve net-zero emissions.	<ul style="list-style-type: none"> ● To meet the greenhouse gas reduction and net-zero emissions goals by 2050, the Group has planned to purchase Renewable Energy Certificates (RECs) to offset its carbon emissions from electricity consumption. Based on Taiwan's Nationally Determined Contributions (NDC) target (with baseline year of 2022), a 25% reduction in emissions (2,500 tons) is required by 2030, and a 100% reduction (10,000 tons) is required by 2050. The Company intends to acquire RECs (at approx. NT\$2,500 for each 1,000 kW·h consumed) to curb carbon emission from electricity usage. ● The Company anticipates spending NT\$12.5 Million yuan on RECs in 2030 and NT\$50 Million yuan in 2050.

	Market – Changes in Customer Behaviors	Customer requests to reduce the carbon footprint of our main products. Where such request involves the main or auxiliary materials, the Company may respond by replacing them with qualified suppliers or using recycled aluminum materials, and may diminish the risks of customer order redirecting due failure to achieve to in the future.	<ul style="list-style-type: none"> ● Regarding the use of recycled aluminum for the frame by the Company, further discussions with the customers are needed to ensure that the strength meets the specifications. The Company's R&D department will continue to monitor the industrial applications of composite low-carbon materials. ● The Company intends to prepare a list of material substitutions for both main and auxiliary materials and maintain information exchange with suppliers to obtain market updates early and take pre-emptive preparations.
Physical Risks	According to the projection using the AR6 statistical-downscaling data from TCCIP (Taiwan Climate Change Projection Information and Adaptation Knowledge Platform), the longest continuous dry period is projected to be about three months by 2050. The Company has an on-site groundwater supply and promotes water conservation activities. It is assessed that there will be no risk of water shortage.		In addition, based on the 24-hour, 650mm rainfall flood simulation from the disaster potential map by the National Science and Technology Center for Disaster Reduction, the Company's facility in Taiwan is also not at risk of flooding.
MERIDA INDUSTRY CO., LTD. Opportunity Identification Results			
Opportunity Type	Opportunity Topic	Opportunity Description	Relevant Countermeasures
Products and Services	Increased sales of electrical power assist bicycles	Energy conservation and carbon reduction are the trend adopted in various nations, and the electrical power assist bicycles as replacement of transportation running on fossil fuel is the future trend. Electrical power assist bicycles are low-carbon products with promising market prospects as well as opportunities to continuously expand market share, effectively boosting the Company's revenue.	<ul style="list-style-type: none"> ● Continue to develop new the electrical power assist bicycles. ● Collaborating with customers to develop reduced-plastic packaging, making electrical power assist bicycles even more low-carbon. ● Providing sales and maintenance training to dealers and bike shops for electrical power assist bicycles. ● A growth in sales within a short period of time is less feasible due to the higher inventory in the 2023 bicycle industry; however, after inventory clearance in 2024, the electrical power assist bicycles may achieve an annual growth by 5% and more in the Company's projection.

Climate-Related Information of TWSE/TPEX Listed Company Implementation Status of Climate-Related Information

Items	Implementation Status
<p>1. Describe the supervision and governance over the climate-related risks and opportunities by the Board of Directors and management.</p>	<p>In addition to continuously tracking operational and governance-related risks through internal control and internal audit systems, the Company also introduced the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2023. The Group's Board of Directors is responsible for formulating sustainable development and operational strategies, regularly overseeing environmental, social, and governance (ESG) issues that may affect sustainable development. Furthermore, the Company has established its ESG Promotion Committee that, following the guidance of the Audit Committee and external experts, conducts cross-departmental discussions on climate change-related issues. The Board of Directors reports on the progress of greenhouse gas inventories quarterly and presents the ESG Promotion Committee's execution results at the end of the year. The ESG Promotion Committee regularly discusses potential challenges and response strategies regarding "environmental" aspects, submitting these for review by the Board of Directors and the Audit Committee.</p>
<p>2. Describe how the identified climate risks and opportunities influence the business, strategies and finance of the enterprise (short-term, medium-term, and long-term)</p>	<p>The ESG Promotion Committee convenes cross-departmental meetings and discusses and identifies climate risks and opportunities with external consultants and experts. Furthermore, the Company assesses possible sudden risks and opportunities to screen out major transition climate risks, physical climate risks and transition climate opportunities. The risk interval is defined as: Short term: 1-3 years Medium term: 4-10 years Long term: more than 10 years</p>
Items	Implementation Status

	<p>Impacts of relevant risks and opportunities on the Company are explained as follows:</p> <ul style="list-style-type: none"> •Policy and Regulatory Risks (Increased Pricing on GHG Emission): The Company main engages in the production of regular bicycles and electrical assisted bicycles, and actively promotes greenhouse gas reductions to comply with national policies. Various countries are also progressively implementing carbon tax or carbon fee systems and significantly increasing carbon tax standards in stages. Consequently, this will lead to a substantial increase in production costs for high-carbon industries or companies with high electricity consumption, reducing their competitiveness. •Policy and Regulatory Risks (2050 Net-Zero Emission Regulations):In February 2023, the government officially implemented the “Climate Change Response Act” and promulgated the 2050 net-zero emission policy. The Company may be subject to excess carbon emission fees if it fails to meet the reduction standards in the future. •Market Risks (Changes in Customer Behavior): As the customers are demanding a reduction in the carbon footprint of primary products, the Company may, via addressing such issues over the main and auxiliary materials by replacing them with qualified suppliers or recycled aluminum, to reduce the risk of losing orders to competitors owing to failure to meet such demands. •Product and Service Opportunities (Increased Sales of Electrical assisted Bicycles): The global trend is towards energy saving and carbon reduction. Replacing fossil fuel-powered vehicles with electrical assisted bicycles is the future trend. As low-carbon products, electrical assisted bicycles have promising market prospects and the potential to continuously expand market share, effectively boosting Company revenue.
3. Describe the influence of extreme climate events and transformation actions on finance.	<p>Acute Physical Risks (Influence by Extreme Weather) may easily lead to short-term water shortage or flooding by heavy rainfall (cloudburst), which result in increased operation costs or operational disruption and further lead to increased operational cost along with reduced turnover and loss in assets.</p> <p>According to the projection using the AR6 statistical-downscaling data from TCCIP (Taiwan Climate Change Projection Information and Adaptation Knowledge Platform), the longest continuous dry period is projected to be about three months by 2050. The Company has an on-</p>

	<p>site groundwater supply and promotes water conservation activities. It is assessed that there will be no risk of water shortage; in addition, based on the 24-hour, 650mm rainfall flood simulation from the disaster potential map by the National Science and Technology Center for Disaster Reduction, the Company's facility in Taiwan is also not at risk of flooding.</p>
<p>4. Describe how the identification, assessment and management process of climate risks are integrated with the overall risk management system.</p>	<p>The ESG Promotion Committee holds cross-departmental meetings and, after discussions with external consultants and experts, conducts the process of identifying and assessing climate-related risks (every 2-3 years). Adjustments are made on a rolling basis in response to potential emerging risks and opportunities. Annually, during management and budget meetings, the progress of funding for climate response plans is reviewed. Routine risk management is carried out by each business unit following internal control procedures, with regular reporting of progress and outcomes by each working group to the ESG Promotion Committee.</p>

Items	Implementation Status
<p>5. Where the scenario analysis is engaged in the assessment of resilience towards climate change risks, the scenarios used, parameters, assumptions, analysis factors and main financial influences shall be described.</p>	<p>The Company assesses climate risks using the IPCC AR6 scenarios, specifically SSP5-8.5 for evaluating high greenhouse gas emission scenarios and SSP1-1.9 for low emission/net-zero scenarios. The Company has estimated a carbon fee of NT\$300 per ton.</p> <p>Furthermore, to comply with GHG reduction and the 2050 net-zero emission targets, based on Taiwan's NDC goals (with a baseline year of 2022), the Company is required to reduce emissions by 25% by 2030 (equivalent to 2,021.25 tons) and achieve 100% reduction by 2050 (equivalent to 8,085 tons). Considering the Company's self-generated solar energy quota, the Company is required to purchase additional renewable energy certificates to meet the reduction targets. The Company has estimated green energy certificate expenses of NT\$7.8 million in 2030 and NT\$46.8 million in 2050 (based on a price of NT\$7,500 per certificate, calculated using a 2022 electricity consumption of 13 million kWh).</p>

<p>6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transition risks.</p>	<p>The Company intends to initiate the introduction to the ISO 50001 Energy Management System in 2024. Specific energy transformation response plans and control indicator targets will be formulated after the completion of the relevant energy consumption baseline investigation. At present, the Company has set a target to reduce GHG emissions by 3% annually until 2030.</p>
<p>7. If internal carbon pricing is used as a planning tool, the basis for price determination should be explained.</p>	<p>The Company has planned the introduction of ISO50001 Energy Management System and, after receiving guidance, will progressively promote the internal carbon pricing system as reference of carbon reduction cost estimates.</p>
<p>8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress and other information shall be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the information shall be explained. The source and quantity of offset carbon reduction credits or the</p>	<p>The Company has planned the introduction of ISO50001 Energy Management System and, after receiving guidance, will further determine the concrete climate goals and the quantities of subsequent carbon offsetting or purchasing renewable energy certificates (RECs).</p>

<p>quantity of renewable energy certificates (RECs).</p>	
<p>9. Greenhouse gas inventory and assurance situations, along with reduction targets, strategies, and specific action plans (filled in separately at 1-1 and 1-2).</p>	<p>The relevant information of the Company shall be disclosed in accordance with the schedule prescribed under per Order Financial-Supervisory-Securities-Corporate-11203852314.</p>

(7) Implementation of Ethical Corporate Management and its Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons:

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform</p>	<p>✓</p> <p>✓</p>		<p>(1) 1. The Company has adopted its “Ethical Corporate Management Best Practice Principles” following approval by the Board of Directors and has disclosed such adoption on the Corporate Website.</p> <p>2. Business philosophy of the Company's: creating unlimited competitiveness and giving back to the corporates and the community through business core of honesty and prudence, and the enthusiasm of mutual assistance.</p> <p>3. The Company is committed to deepening a culture of integrity in its business operations and establishing a sound and well-developed framework for proper commercial operations.</p> <p>(2) The Company requires its directors, managers, employees, and appointees to</p>	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Abstract Illustration	
<p>regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	✓		<p>comply with the subparagraphs under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. Furthermore, the Company establishes effective accounting and internal control systems to manage daily business operations, which is supported by the implementation of audit systems to ensure the implementation of mechanisms for assessing unethical conducts.</p> <p>(3) Although the Company has not adopted a dedicated chapter on preventing unethical conducts, yet relevant management regulations governing various operating activities in conjunction with periodic verification over the implementation of relevant systems by the audit personnel are in place to ensure the implementation of ethical corporate management without concerns.</p>	

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Abstract Illustration	
<p>2. Fulfilling Operations Integrity Policy</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p>	<p>✓</p>	<p>✓</p>	<p>(1) Prior to transactions, the Company evaluates the integrity records of counterparties. All transactional activities must be conducted in accordance with the Company's relevant management regulations. Meanwhile, internal audit personnel periodically audit various transactional matters to prevent unlawful behavior.</p> <p>(2) The Company has not yet established a dedicated unit responsible for promoting corporate ethical management. But each department is responsible for reviewing and fulfilling the Company's responsibilities in terms of corporate ethical management. Internal audit personnel also conduct periodic audits of various transactional matters, with the results regularly reported to the Audit Committee and the Board of Directors.</p>	<p>None</p>

Evaluation Items	Implementation Status (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Abstract Illustration	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The Company's "Rules of Procedure for Board of Directors' Meetings", "Operational Procedure for Management over Prevention of Insider Trading", "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conducts" and other management regulations clearly stipulate principles for directors, managers, and employees to avoid conflicts of interest. Internal audit personnel are also engaged for irregular audits.	
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(4) To ensure the implementation of ethical business practices, the Company has established effective accounting and internal control systems. Internal audit personnel regularly verify compliance with these systems and report their discovery to the Board of Directors.	
(5) Does the Company regularly hold internal and external educational trainings on operational	✓		(5) The Company regularly provides information on corporate governance and ethical business practices training courses,	

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract Illustration	
integrity?			notifying directors, members of the Audit Committee, internal personnel, and relevant management units to arrange participation in a timely manner.	
<p>3. Implementation Status Operation of the Integrity Channel</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p>	<p>✓</p> <p>✓</p>		<p>(1) Employees of the Company may file their grievances through reporting to unit supervisors as well as a designated reporting channel mailbox and telephone number publicly disclosed on the Corporate Website. The grievances are further managed and handled by dedicated personnel.</p> <p>(2) When the responsible unit for handling reports accepts the information provided by the whistleblower, they will assign dedicated personnel to investigate and handle the matter. The investigation process, handling procedures, and the identity of the parties involved will be held</p>	None

Evaluation Items	Implementation Status (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract Illustration	
(3) Does the Company provide proper whistleblower protection?	✓		confidential throughout, and whistleblowers will not be subject to any improper dispositions. (3) Same as above.	
4. Strengthening Information Disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	✓		(1) The Company has adopted its Ethical Corporate Management Best Practice Principles and disclosed them on the Corporate Website.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None.				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies): Procurement and sales units of the Company organize procurement and sales meetings inviting vendors and customers to discuss various topics with a view to avoid unethical conducts.				

Note 1: Please specify in Abstract Illustrations no matter if a “Y” or “N” is ticked.

(8) Where Corporate Governance Principles and relevant regulations have been adopted, the Company shall disclose the

matters for inquiry of such regulations:

Relevant information has been disclosed on the Corporate Website at <https://www.merida.tw>.

- (9) Other important information sufficient to improve understanding of implementation status for corporate governance may be disclosed altogether:

Information with respect to finance and business of the Company is disclosed on the Corporate Website at an appropriate manner, and is disclosed on "MOPS" on regular or irregular bases in accordance with regulations by the competent authority.

(10) Disclosures Required for the Implementation of the Internal Control System:

1. Internal Control Statement:

MERIDA INDUSTRY CO., LTD.

Statement on Internal Control

Date: March 14, 2024

The Company hereby releases this Statement concerning the results of self-inspection on the Company's internal control system made in 2022:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2023 ^{Note 2} its internal control system (including its supervision and management of subsidiaries and its overall implementation of information security), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 14, 2024, where none of the 12 attending directors or 1 proxy expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

MERIDA INDUSTRY CO., LTD.

Chairman: Tseng Song-Zhu

President: Tseng Shang-Yuan

Note 1: If during the fiscal year there has existed any material deficiency in the design and operation of the internal control system of the securities or futures industry service enterprise, an explanatory section shall be added after paragraph 4 of the Statement on Internal Control, listing and explaining any material deficiencies found in the self-assessment, and the corrective actions and status of corrections taken by the company up to the balance sheet date.

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

2. Review on Internal Control System by Entrusted Auditors: Not Applicable.

(11) If, in the Most Recent Year and up to the Date of Publication of the Annual Report, the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the internal control system regulations, whose result may have a material impact on shareholders' rights and interests or securities prices, the punishment content, main deficiencies and improvement status shall be specified: None.

(12) Major Resolutions of Shareholders' Meeting and Board Meetings in the Most Recent Year and up to the Date of Publication of the Annual Report:

1. Regular Shareholders' Meeting: Convened on June 28, 2023.

(1) Important Resolutions and Implementation Status Thereof:

A. To ratify the Company's 2022 Business Report and Standalone and Consolidated Financial Statements

Implementation Status: announced on MOPS following resolution by the Shareholders' Meeting.

B. To ratify the Company's 2022 Earnings Distribution

Implementation Status: Per 2022 Earnings Distribution, a cash dividend at NT\$7 will be distributed for per share held. According to the resolutions by the 3rd Board of Directors meeting in 2023, the reference date for distribution is set to August 16, 2023, with distributions set to be completed by September 6, 2023.

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

Implementation Status: the proposed item has amended following resolution by the Shareholders' Meeting and then disclosed on the Corporate Website, with relevant matters handled in accordance with the amended procedure(s).

2. Board of Directors:

(1) The 1st Board of Directors meeting in 2023 on January 13, 2023:

A. To report the Status of the Company's Internal Audit

B. The Company has completed GHG Inventory and Verification Report by prescribed timeframe

C. The Company's 2022 Year-End Bonus Distribution to Employees

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

D. The Company's Proposal of Employee Salary Adjustment

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

- E. To review the Company's Loan of Funds
Resolution: approved and adopted by all attending directors and independent directors.
 - F. Amendment to the Company's Corporate Governance Best Practice Principles
Resolution: approved and adopted by all attending directors and independent directors.
 - G. Amendment to the Company's Sustainable Development Best Practice Principles
Resolution: approved and adopted by all attending directors and independent directors.
 - H. Changes in Personnel of the Company (I)
Resolution: approved and adopted by all attending directors and independent directors.
 - I. Changes in Personnel of the Company (II)
Resolution: approved and adopted by all attending directors and independent directors.
- (2) The 2nd Board of Directors meeting in 2023 on March 15, 2023:
- A. To report the Overview of Reinvestment Businesses by the Company
 - B. To ratify the Company's Self-assessed Consolidated Financial Statements in 2022
Resolution: approved and adopted by all attending directors and independent directors.
 - C. Amendment to the Company's Articles of Incorporation
Resolution: approved and adopted by all attending directors and independent directors.
 - D. Date, Location, Agenda and Relevant Matters for the Company's 2023 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.
 - E. Acceptance of Shareholders' Proposal, Location and Relevant Matters for the Company's 2023 Regular Shareholders' Meeting
Resolution: approved and adopted by all attending directors and independent directors.
- (3) The 3rd Board of Directors meeting in 2023 on March 30, 2023:
- A. To report the Status of the Company's Internal Audit
 - B. To report the Results of Evaluations on Performance of the Board of Directors in 2022
 - C. The Company's 2022 Business Report
 - D. To report the Company's 2023 Business Plans
 - E. To report the Overview of Reinvestment Businesses by the Company
 - F. The Company's 2022 Distribution of Employees and Directors' Remunerations

- Resolution: approved and adopted by all attending directors and independent directors.
- G. To ratify the Company's 2022 Business Report
Resolution: approved and adopted by all attending directors and independent directors.
- H. To ratify the Company's 2022 Standalone and Consolidated Financial Statements
Resolution: approved and adopted by all attending directors and independent directors.
- I. To ratify the Company's 2022 Earnings Distribution
Resolution: approved and adopted by all attending directors and independent directors.
- J. To review the Company's 2022 "Statement on Internal Control"
Resolution: approved and adopted by all attending directors and independent directors.
- K. To review the Loan of Funds by the Company and its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
- L. To review the Company's 2023 Adjustments to Employees' Salaries
Resolution: approved and adopted by all attending directors and independent directors.
- M. Evaluations on Independence and Suitability of the Attesting CPAs for the Company
Resolution: approved and adopted by all attending directors and independent directors.
- N. Proposal for Pre-emptive Approval of Non-Assurance Services to the Company and its Subsidiaries by the Attesting CPA, the Affiliating Accounting Firm and their Affiliated Enterprises
Resolution: approved and adopted by all attending directors and independent directors.
- O. To review the Company's 2023 Audit Fees for Attesting CPAs
Resolution: approved and adopted by all attending directors and independent directors.
- P. Replacement of the Attesting CPAs for the Company
Resolution: approved and adopted by all attending directors and independent directors.
- Q. Credit by ING Bank N.V. to Reinvestment Businesses of the Company
Resolution: approved and adopted by all attending directors and independent directors.
- (4) The 4th Board of Directors meeting in 2023 on May 10, 2023:

- A. To report the Status of the Company' s Internal Audit
 - B. The Company has completed GHG Inventory and Verification Report by prescribed timeframe
 - C. To report the Overview of Reinvestment Businesses by the Company for Q1 2023
 - D. To ratify the Company ' s Consolidated Financial Statements of Q1 2023
Resolution: approved and adopted by all attending directors and independent directors.
 - E. To review the Company' s Loan of Funds
Resolution: approved and adopted by all attending directors and independent directors.
 - F. To add bank(s) with whom the Company conducts business dealings
Resolution: approved and adopted by all attending directors and independent directors.
- (5) The 5th Board of Directors meeting in 2023 on June 28, 2023:
- A. To add bank(s) with whom the Company conducts business dealings, and to add bank credits
Resolution: approved and adopted by all attending directors and independent directors.
 - B. Changes in Personnel of the Company
Resolution: approved and adopted by all attending directors and independent directors.
 - C. To determine the Schedule for the Distribution of Cash Dividends on Ordinary Shares by the Company for the Year 2022
Resolution: approved and adopted by all attending directors and independent directors.
- (6) The 6th Board of Directors meeting in 2023 on August 11, 2023:
- A. To report the Status of the Company's Internal Audit
 - B. The Company has completed GHG Inventory and Verification Report by prescribed timeframe
 - C. To report the Implementation Results of the Company's Sustainability Report 2022.
 - D. To report the Overview of Reinvestment Businesses by the Company in Q2 2023
 - E. To ratify the Company's Consolidated Financial Statements in Q2 2023
Resolution: approved and adopted by all attending directors and independent directors.
 - F. To review the Loan of Funds of the Company and Its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
 - G. Changes in Personnel of the Company

- Resolution: approved and adopted by all attending directors and independent directors.
- (7) The 7th Board of Directors meeting in 2023 on September 1, 2023:
- A. To review the Loan of Funds of the Company and Its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
- B. To review the Company's Distribution of 2022 Directors' Remunerations.
Resolution: approved and adopted by all attending directors and independent directors.
- C. To review the Company's Distribution of 2022 Employees' Remunerations.
Resolution: approved and adopted by all attending directors and independent directors.
- (8) The 8th Board of Directors meeting in 2023 on November 9, 2023:
- A. To report the Status of the Company's Internal Audit
- B. To report the Company's Purchase of "Directors and Officers (D&O) Liability Insurance".
- C. The Company has completed GHG Inventory and Verification Report by prescribed timeframe
- D. To report the Overview of Reinvestment Businesses by the Company in Q3 2023
- E. To ratify the Company's Consolidated Financial Statements in Q3 2023
Resolution: approved and adopted by all attending directors and independent directors.
- F. To review the Loan of Funds of the Company and Its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
- G. To determine the Company's Audit Plan for the Year 2024
Resolution: approved and adopted by all attending directors and independent directors.
- H. Amendment to the Company's Corporate Governance Best Practice Principles
Resolution: approved and adopted by all attending directors and independent directors.
- I. Amendment to the Company's Articles of Incorporation
Resolution: approved and adopted by all attending directors and independent directors.
- J. To review the loans of MERIDA Bicycle (Shandong) Co., Ltd. under commission to MERIDA Bicycle (Jiangsu) Co., Ltd.
Resolution: approved and adopted by all attending directors

- and independent directors.
- K. Proposal to provide endorsement and guarantee to MERIDA Bicycle (Jiangsu) Co., Ltd.
Resolution: approved and adopted by all attending directors and independent directors.
- L. To provide loan of funds to MERIDA BENELUX B.V.
Resolution: approved and adopted by all attending directors and independent directors.
- (9) The 1st Board of Directors meeting in 2024 on January 31, 2024:
- A. To report the Status of the Company's Internal Audit
B. The Company has completed GHG Inventory and Verification Report by prescribed timeframe
C. To review the Proposal of 2023 Year-End Bonus Distribution to the Employees.
Resolution: approved and adopted by all attending directors and independent directors.
- D. The Company's Proposal of Employee Salary Adjustment
Resolution: approved and adopted by all attending directors and independent directors.
- E. To review the Loan of Funds of the Company and Its Subsidiaries
Resolution: approved and adopted by all attending directors and independent directors.
- F. The Company's Proposal to Provide Endorsement and Guarantee to MERIDA NORGE AS
Resolution: approved and adopted by all attending directors and independent directors.
- G. To provide loan of funds to MERIDA BENELUX B.V.
Resolution: approved and adopted by all attending directors and independent directors.
- H. Amendment to the Company's Rules of Procedure for Board of Directors' Meetings
Resolution: approved and adopted by all attending directors and independent directors.
- I. Amendment to the Company's Audit Committee Charter
Resolution: approved and adopted by all attending directors and independent directors.
- J. Amendment to the Company's Corporate Governance Best Practice Principles
Resolution: approved and adopted by all attending directors and independent directors.
- (10) The 2nd Board of Directors meeting in 2024 on March 14, 2024:
- A. To report the Status of the Company's Internal Audit
B. To report the Results of Evaluations on Performance of the

Board of Directors in 2023

C. The Company's 2023 Business Report

D. To report the Company's 2024 Business Plans

E. To report the Overview of Reinvestment Businesses by the Company

F. To report the Group's Operation Status by Region

G. The Company's 2023 Distribution of Employees and Directors' Remunerations

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

H. To ratify the Company's 2023 Business Report

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

I. To ratify the Company's 2023 Standalone and Consolidated Financial Statements

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

J. To ratify the Company's 2023 Earnings Distribution

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

K. To review the Company's 2023 "Statement on Internal Control"

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

L. To review the Loan of Funds of the Company and Its Subsidiaries

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

M. To review the Company's 2024 Adjustments to Employees' Salaries

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

N. Evaluations on Independence and Suitability of the Attesting CPAs for the Company

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

O. To review the Company's 2024 Audit Fees for Attesting CPAs

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

P. Re-election of the Company's Directors (incl. Independent Directors)

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

Q. Acceptance of Date, Location, Manners of Meeting, Agenda and Relevant Matters for the Company's 2024 Regular

Shareholders' Meeting

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

R. Acceptance of Shareholders' Proposal, Location and Relevant Matters for the Company's 2024 Regular Shareholders' Meeting

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

S. Right of Candidate Nomination, Acceptance Period, Location and Relevant Matters for the Re-election of Directors (incl. Independent Directors) in the Company's 2024 Regular Shareholders' Meeting

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

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and up to the Date of Publication of the Annual Report: None.

(14) Resignation or Dismissal of the Company's Key Individuals including the Chairman, President, Accounting Manager, Finance Manager, Internal Audit Supervisor, and R&D Supervisor:

June 1, 2024

Title	Name	Date of Assumption	Date of Discharge	Reason for Resignation/Discharge
President	Tseng Song-Zhu		February 1, 2023	Adjustment to Duties of President (Dismissal)
President	Tseng Shang-Yuan	February 1, 2023		Adjustment to Duties of President (Newly appointed)

Note: Relevant Personnel of the Company refers to the Chairman, President, Accounting Manager, Finance Manager, Internal Audit Supervisor, R&D Supervisor, etc.

iv. Information Regarding the Company's Audit Fee

(1) CPA Audit Fee 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: NT\$ thousand

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche Taiwan	Wu, Shao-Chun	2023/1/1~2023/12/31	5,720		5,720	
	Done-Yuin Tseng					
Deloitte & Touche Taiwan	Kang Yu-Yeh			2,315	2,315	Audit Fees 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.

(2) Where a replacement of accounting firm is made and the audit fee paid in the year of replacement is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed:

(3) Where audit fees have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in audit fees shall be disclosed: None.

v. Replacement of CPAs

(1) Regarding the former CPA:

Replacement Date	Adopted through resolution in the 3rd Board of Directors Meeting in 2023 held on March 30, 2023		
Replacement reasons and explanations	Adjustment of internal duties of the accounting firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	Notified by the accounting firm through letter to the Company	
No longer accepted (continued) appointment			
Other issues (except for unqualified issues) in the audit reports within the last two years	Not Applicable		
Differences with the Company	Yes	Not Applicable	Accounting principles or practices
		Not Applicable	Disclosure of Financial Statements
		Not Applicable	Audit scope or steps
		Not Applicable	Others
	No	Specify Details:	
Other Revealed Matters (Matters to be disclosed under items 1-4 through 1-7, Subparagraph 6, Article 10 of these Regulations by the former CPA)	Not Applicable		

(2) Regarding the successor CPA:

Name of accounting firm	Deloitte & Touche Taiwan
Name of CPA	Wu Shao-Chun, Done-Yuin Tseng
Date of appointment	Adopted through resolution in the 3rd Board of Directors Meeting in 2023 held on March 30, 2023

Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not Applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not Applicable

(3) Response in accordance with matters under items 1 and 2-3, Subparagraph 6, Article 10 of these Regulations by the former CPA:
Not Applicable.

vi. Evaluation Report on Independence and Suitability of the Company's CPAs

The evaluation on the independence and suitability of the attesting CPAs for the Company in accordance with Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and with reference of Code of Professional Ethics of CPAs in the Republic of China is as follows: (reported to the Company's 3rd Board of Directors meeting in 2023)

Evaluation on Independence and Suitability of CPAs of MERIDA INDUSTRY CO., LTD.

1. Independence Evaluation

Date of Evaluation: 2024/3/14

Item	Indicator	Yes	No	Evaluation Result	
				Meets independence	Does not meet independence
1	The CPA of the Company holds shares of the Company.		√	√	
2	The CPA of the Company is engaged in loan of money from the Company.		√	√	
3	The CPA of the Company is engaged in joint investment or revenue sharing with the Company.		√	√	
4	The CPA of the Company is employed by the Company two years prior to the start of auditing and attesting or within one year from the date of dismissal.		√	√	

5	The CPA of the Company takes concurrent role of the Company with regular works of and receives regular pays from the Company e.g. person in charge, director, supervisor, manager or employee.		√	√	
6	The CPA of the Company is a spouse, lineal relative, lineal relative by marriage or collateral relatives by blood with a management personnel of the Company.		√	√	
7	The CPA of the Company has the management capacity which may influence decision-making of the Company.		√	√	
8	The CPA of the Company directly or indirectly implies any form of relationship or use inducements to solicit business.		√	√	
9	The CPA of the Company receives commissions related to the Company's business.		√	√	
10	The CPA of the Company enters into prior agreement with the Company regarding the amount or method of payment of fees.	√		√	
11	The CPA of the Company bases the fees for services on achieving a specific finding or result.		√	√	
12	The CPA of the Company keeps entrusted matters confidential and does not disclose them without the consent of the Company, except as required by professional standards or legal regulations.	√		√	
13	The CPA of the Company shall not have any detrimental intentions towards the Company or third parties using any secrets obtained in the course of their business.	√		√	
14	The proportion of non-audit services provided by the Company's accounting firm will affect affect independence.		√	√	
15	The cumulative years of providing audit services by a CPA of the Company may affect independence.		√	√	

2. Suitability Evaluation

Aspects	Specific Indicators	Meaning of Indicator	Y	N	Evaluation Result	
					Criteria met	Criteria not met
Professionalism	CPA Qualifications	Is the CPA of the Company qualified to perform accounting services?	√		√	
	Knowledge of Related Industry	Does the CPA of the Company possess relevant industry knowledge to facilitate the conduct of audit work?	√		√	
	Foundations for Execution of Financial Statement Audit Tasks	Do the CPAs perform financial statement audits in accordance with the "Generally Accepted Auditing Standards" and the "Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants"?	√		√	
	Auditing Experience	Do the CPAs and audit staff have sufficient audit experience to perform audit work?	√		√	
	Training Hours	Have the CPAs and audit staff received adequate education and training to acquire professional knowledge and skills?	√		√	
	Turnover	Does the accounting firm maintain a sufficient number of experienced personnel?	√		√	
	Professional Support	Does the accounting firm have an adequate number of non-audit professionals, including computer auditors and valuation experts, to support the audit team?	√		√	
Quality Control	CPA Burden	Are the number of audit engagements and the hours devoted to audit work by the CPAs excessive?		√	√	
	Auditing Engagement	Is the allocation of resources by the audit team appropriate at each stage of the audit?	√		√	
	Status of Engagement Quality Control Recheck (EQR)	Is the EQR devoting sufficient time to perform the review of audit engagements?	√		√	
	Ability of Quality Management Support	Does the accounting firm have sufficient quality control resources, including risk management and professional advisors, to support the audit team?	√		√	
Supervision	Unconformities in External Examinations and Dispositions	Is the accounting firm's quality control and execution of audit engagements in compliance with relevant laws and standards?	√		√	

	Submission of Letter by Competent Authority for Improvement		√		√	
Ability for Innovation	Innovation Plans or Initiatives	Does the accounting firm demonstrate a commitment to enhancing audit quality, including the adoption or planning of initiatives to improve audit quality?	√		√	

vii. Engagement with CPA Firm of the Company's Auditing and Attesting CPA or its Related Business by Chairman, President and the Manager in Charge of Finance or Accounting in the Most Recent Year: Not Applicable.

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 up to the Date of Publication of the Annual Report

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

Unit: Shares

Title (Note 1)	Name	2023		As of April 28, 2024	
		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 (Note 3)	0	0	0	0
Director	Tseng Song-Ling	0	0	0	0
Director	Tseng-Lu Min-Hua	30,000	0	0	0
Director	Luo Cai-Ren	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 Yuan Qi-Bin Lai Ru-Ding Tseng Ching-Cheng	0	0	0	0
Independent Director	Chen Shui-Jin	0	0	0	0
Independent Director	Chen Jian-Nan	0	0	0	0
Independent Director	Tsai Wu-Ying	(175,000)	0	0	0
Independent Director	Lei Shin-Jung	0	0	0	0
President	Tseng Shang-Yuan (Note 3)	0	0	0	0
Vice President	Zheng Wen-Xiang	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
Vice President	Liu Ming-Gen (Note 4)	8,000	0	0	0
Associate Manager	Li Bo-Lin (Note 5)	0	0	(23,000)	0
Associate Manager	Lai Tong-Sha	0	0	0	0
Associate Manager	Chang Zheng-Yong	0	0	0	0
Associate Manager	Wu Yu-Fan	9	0	0	0
Associate Manager	Wu Min-Fang	0	0	0	0
Associate Manager	Chang Wen-Jie (Note 6)	(8,000)	0	0	0
Associate Manager	Tang Jia-Hung (Note 7)	(2,000)	0	0	0
Associate Manager	Tsai Wei-Sheng	0	0	0	0
Associate Manager	Shih Qi-Xiang	0	0	0	0
Associate Manager	Shih Wen-Lin (Note 8)	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: Mr. Tseng Song-Zhu was relieved from the position of President on February 1, 2023, with Mr. Tseng Shang-Yuan assumed office as successor on the same date.

Note 4: The Vice President Liu Ming-Gen was promoted on August 16, 2023.

Note 5: The Associate Manager Lo Bo-Lin announced his retirement on December 31, 2023.

Note 6: The Associate Manager Chang Wen-Jie announced his retirement on June 30, 2023.

Note 7: The Associate Manager Tang Jia-Hung announced his retirement on February 28, 2023.

Note 8: The Associate Manager Shih Wen-Lin assumed office on January 1, 2023.

(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 28, 2024 Unit: Shares

Name (Note 1)	Shares Held by the Shareholder		Number of Shares Held by Spouse or Minor Children		Total of Shares Held under Nominees		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	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding Ratio (%)	Title (or Name)	Relations	
Tseng Song-Zhu	48,664,715	16.28	8,900,819	2.98	0	0	Tseng-Lu Min-Hua Tseng Shang-Yuan	Married Couple Father-Son	
Cathay Life Insurance Co., Ltd.	17,921,414	5.99	0	0	0	0	None	None	
Fubon Life Insurance Co., Ltd.	10,640,000	3.56	0	0	0	0	None	None	
JPMorgan Chase Bank N.A., Taipei Branch Custodian - Schroder International Selection Fund-Asia Absolute Return Investment Account	10,368,000	3.47	0	0	0	0	None	None	
Tseng-Lu Min-Hua	8,900,819	2.98	48,664,715	16.28	0	0	Tseng Song-Zhu Tseng Shang-Yuan	Married Couple Mother-Son	
Chunghwa Post Co., Ltd.	8,799,100	2.94	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	7,314,925	2.45	0	0	0	0	None	None	

Investment Co., Ltd.									
Citibank (Taiwan) Custodian-Netherlands Pension Funds Investment Account	6,810,000	2.28	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, 2024 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	Shareholdin g Ratio	Number of Shares	Shareholdi ng Ratio	Number of Shares	Shareholdi ng Ratio
MERIDA BICYCLES Ltd.	481,763	81.31	0	0%	481,763	81.31
MERIDA NORGE AS	198,000	75.00	0	0%	198,000	75.00
MERIDA International (B.V.I) Ltd.	42,500,000	100.00	0	0%	42,500,000	100.00
MERIDA BENELUX B.V.	766,126	60.00	0	0%	766,126	60.00
(DE) MERIDA & CENTURION GERMANY GmbH	No outstandin g shares	51.00	0	0%	No outstanding shares	51.00
MERIDA POLSKA SP.ZO.O	100	74.07	0	0%	100	74.07
(US) Specialized Bike Components, Inc.	3,409,982	35.39	0	0%	3,409,982	35.39
MERIDA SLOVAKIA S.R.O.	No outstandin g shares	30.00	0	0%	No outstanding shares	30.00
MERIDA CZECH S.R.O.	No outstandin g shares	45.00	0	0%	No outstanding shares	45.00
SAIL+SURF PRODUKTIONS- UND HANDELSGESELLSCHAFT M.B.H.	No outstandin g 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

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

IV. Fundraising 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 Capital:

Unit: NT\$, Shares

Year & Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2014.9	10	350,000,000	3,500,000,000	298,983,800	2,989,838,000	Capitalization of Retained Earnings NT\$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) Shareholder Composition:

April 28, 2024

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	23	365	37,700	354	38,446
Shareholding (shares)	3,713,450	42,516,095	20,980,544	116,442,898	115,330,813	298,983,800
Shareholding Percentage	1.24%	14.22%	7.02%	38.95%	38.57%	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:

1. Ordinary Shares:

April 28, 2024

Shareholding Bracket	Number of Shareholders	Total Shares Held	Shareholding Ratio (%)
1 to 999	32,291	1,557,018	0.52%
1,000 to 5,000	5,018	8,991,327	3.01%
5,001 to 10,000	454	3,344,121	1.12%
10,001 to 15,000	160	2,060,019	0.69%
15,001 to 20,000	88	1,627,028	0.54%
20,001 to 30,000	82	2,066,961	0.69%
30,001 to 40,000	38	1,362,549	0.46%
40,001 to 50,000	24	1,082,744	0.36%
50,001 to 100,000	78	5,601,275	1.87%
100,001 to 200,000	62	8,908,946	2.98%
200,001 to 400,000	54	15,745,346	5.27%
400,001 to 600,000	20	10,589,897	3.54%
600,001 to 800,000	14	9,898,234	3.31%
800,001 to 1,000,000	13	11,529,614	3.86%
1,000,001 and Over	50	214,618,721	71.78%
Total	38,446	298,983,800	100.00%

2. Preferred Shares: None.

(4) List of Major Shareholders:

April 28, 2024

Name of Major Shareholders	Shares Held	Shareholding Ratio (%)
Tseng Song-Zhu	48,664,715	16.28%
Cathay Life Insurance Company, Ltd.	17,921,414	5.99%

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

Unit: NT\$

Year		2022	2023	As of March 31, 2024 (Note 8)	
Market Price per Share (Note1)	Highest	334.00	229.00	228.00	
	Lowest	162.50	155.00	160.50	
	Average	231.25	185.45	192.16	
Net Worth per Share (Note2)	Before Distribution	68.85	68.63	72.83	
	After Distribution	61.85	2023 Earnings Distribution pending resolution by the Shareholders' Meeting	-	
EPS (Note3)	Number of Weighted-Average Shares		298,983,800	298,983,800	298,983,800
	EPS	Before Retrospective Adjustment	11.34	5.66	1.39
		After Retrospective Adjustment	-	-	-
Dividend per Share	Cash Dividend	Preferred Shares	-	-	-
		Ordinary Shares	NT 7/Share	2023 Earnings Distribution pending resolution by the Shareholders' Meeting	-
	Stock Dividends Distribution	From Earnings	-	-	-
		From Capital Surplus	-	-	-
	Cumulative Undistributed Preferred Shares Dividend (NT\$ thousand, (Note4))		-	-	-
ROI Analysis	Price-Earnings Ratio (Note5)		20.39	32.77	-
	Price-Dividend Ratio (Note 6)		33.04	2023 Earnings Distribution pending resolution by the Shareholders' Meeting	-
	Dividend Yield (Note7)		3.03%	2023 Earnings Distribution pending resolution 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=Average Closing Price of the Year/EPS.

Note 6: Price-Dividend Ratio=Average Closing Price of the Year/Cash Dividend per Share.

Note 7: Dividend Yield=Cash Dividend per Share/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 of the Company and its Implementation

1. Dividend Policy:

After closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations; if there are still earnings after the aforesaid distribution, a proposal for distribution of shareholders' dividend and bonuses may be proposed by the Board of Directors and submit to the shareholders' meeting for resolution and distribution.

The total shareholders' dividend shall be between 10 and 80 percent of the earnings distributable for the year, among which the cash dividend shall not be fewer than 10 percent of the total shareholders' dividend.

2. Proposal for Dividend Distribution presented in this Shareholders' Meeting:

Regarding the Company's 2023 Earnings Distribution, it is proposed to distribute from the distributable earnings of 2023 based on the current outstanding shares of 298,983,800 shares. The distribution per share is calculated at NT\$6, rounded down to the NT\$, resulting in a total of NT\$1,793,902,800. The distribution will be made entirely in cash. Fractional shares less than NT\$1 will be transferred to Employee Welfare Committee of the Company. The specific ex-dividend date and distribution details will be determined by the Board of Directors under authorization after resolved at the Company's Regular Shareholders' Meeting.

3. Explanations on Significant Changes Anticipated: None.

(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

Not applicable as the earnings distribution proposed to this Shareholders' Meeting will involve only the distribution of cash dividend and will be of no concern of stock dividend distribution, and the Company did not disclose its financial forecast for the year 2024.

(8) Compensations of Employees and Directors:

1. Percentage or Scope of Compensations of Employees and Directors under the Company's Articles of Incorporation:

Where there is a profit for the Company in a fiscal year, a portion no less than 5% of the profit shall be distributed as employees' compensation and a portion no higher than 5% shall be distributed as directors' compensation. However, the cumulative losses of the Company shall have been covered first.

Where the Company distributes employees' compensations, such distribution may be made in stock or cash, whilst the distribution of directors' compensations may only be made in cash. Such distribution may be made after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Parties entitled to receive Employees' Compensations may include employees may include the employees of subsidiaries of the Company meeting certain specific requirements adopted by the Board of Directors under authorization.

2. Estimation basis for employees and directors 'compensations in the current period; calculation basis for shares distributed as employees' compensation, and Accounting handling for deviations of actual distribution amount from estimates:

(1) Estimation basis for employees and directors 'compensations in the current period: In accordance with Article 32 of the Company's Articles of Incorporation and resolutions in the 2nd Board of Directors meeting in 2024, the Company's pre-tax profit prior to deductions of employees and directors' compensations is NT\$2,572,951,606. 6.0% of the profit as the employees' compensation at NT\$154,377,096 and 2.6% of the profit as the directors' compensation at NT\$66,896,742 to be distributed fully in cash have been proposed.

(2) Calculation basis for shares distributed as employees' compensation: Not applicable as the 2023 employees' compensation is fully estimated in cash.

(3) Accounting handling for deviations of actual distribution amount from estimates: When there is a significant change in the amount of distributions approved by the Board of Directors prior to the release date of the Standalone financial report for the current year, the adjustment to the previously recorded expenses for the year will be made. If there are further changes in the amount after the release date of the standalone financial report for the current year, they will be accounted for based on accounting estimates and adjusted in the upcoming year.

3. Distribution of Compensation adopted by the Board of Directors:

- (1) Amounts of Employees' Compensation and Directors and Independent Directors' Compensation distributed in cash or stock:
 - A. Employees' Compensation: NT\$154,377,096.
 - B. Directors' Compensation: NT\$66,896,742.
 - C. All made in cash.
 - (2) The proportions of employees' compensation made in cash to after-tax profits of the current standalone or individual financial reports and total employees' compensation: Not applicable as the 2023 employees' compensation is fully estimated in cash by the Board of Directors.
4. Actual distribution of the employees' and directors and independent directors' compensations in the preceding year (incl. number of shares, amount and stock price distributed):
- (1) Employees' Compensation: NT\$282,008,891, all made in cash.
 - (2) Directors' and Independent Directors' Compensation: NT\$122,203,853.
 - (3) The actual amounts distributed as employees' and directors and independent directors' compensations are consistent with the recognized amounts.
- (9) Implementation Status of Buyback of Company Shares by the Company: None.
- (10) Implementation Status of Corporate Bonds: None.
- (11) Implementation Status of Preferred Shares: None.
- (12) Implementation Status of Global Depository Receipt (GDR): None.
- (13) Implementation Status of Employee Stock Warrant: None.
- (14) Implementation Status of Restricted Stock Awards and Merger (incl. merger, acquisition and demerger): None.
- ii. Capital Utilization Plans and their Implementations:
- Outstanding or recently completed securities issuances or private placements with unrealized implementation status within the past three years as of March 31, 2024: None.

V. Operation Overview

i. Scope of Business

(1) Business Activities:

1. Scope of Business:

- (1) Manufacturing, assembly, and trading of bicycles and their components as well as outsourcing.
- (2) Manufacturing, assembly, and trading of motorized bicycles and their components.
- (3) Manufacturing, assembly, and trading of electrical bicycles and their components.
- (4) Importing, exporting, and trading of speedometers.
- (5) Manufacturing, assembly, and trading of fitness bikes and their components.
- (6) Import and export business related to the aforementioned products and equipment.
- (7) Commissioning construction firms for the rental and sale of public housing and commercial buildings.
- (8) C805050 Industrial Plastic Products Manufacturing.
- (9) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Proportions in Operations by the Company's 2023 Main Products:

Items	Proportion (%)
Complete Bicycle	91.91%
Bicycle Frames and Parts and Components	8.09%

3. New Products under Development Plan:

- (1) Top-of-the-Line Carbon Fiber Electrical Assisted Full Suspension Mountain Bike [eONE-SIXTY CF III]

The "Top-of-the-Line Carbon Fiber Electrical Assisted Full Suspension Mountain Bike" is equipped with the Shimano EP801 full-power drive units, which warrants smooth and powerful torque while operating quietly, renders a torque of 85N-m and an assist speed of up to 25 km/h. eONE-SIXTY CF III is also equipped with a battery at a capacity of 600Wh and can be paired with an additional 360Wh external battery, bringing the total capacity to 960Wh. The rear triangle's P-FLEX design helps minimize weight, reduces maintenance, and increases rigidity.

With aluminum alloy rear fork on the predecessor, the current eONE-SIXTY CF III employs high-strength carbon

fiber throughout the entire bike, making it lighter than its previous edition. Plus, the current model features battery installation by inserting directly into the frame, replacing the previous mounting on the motor mount and eliminating the battery cover, along with concealed wiring. The larger seat tube angle combined with power assistance allows riders to tackle climbs as easily as riding on a flat. The large 960Wh battery capacity supports longer rides. With 85N-m of high torque, riders of all ages can easily handle various terrains. The dropper seat post overcomes height inconveniences, and the wider tires enhance riding comfort, making this model suitable for a broader range of riders.

(2) Lightweight All-Rounder Mountain Bike [ONE-TWENTY LITE V]

The “Lightweight All-Rounder Mountain Bike” features 29-inch wheels and a 130mm travel suspension, along with optimized geometry for excellent off-road capability. The larger seat tube angle provides outstanding performance on climbs. The P-FLEX design of the rear fork reduces weight, lowers maintenance needs, and increases rigidity.

The bike’s outer cables are hidden within the frame for a clean appearance. The repositioned rear shock allows for more water bottle mounts on the frame. The dropper seat post adapts to different rider heights and allows quick seat height adjustments based on terrain changes, letting riders choose their preferred riding style. Made of aluminum alloy, while it may not be as light as a carbon fiber bike, its performance is comparable. For consumers who enjoy trail riding, this bike is definitely the best choice!

(2) Overview of the Group's Industries:

1. Interrelationship between Upstream, Midstream, and Downstream in the Industry:

- (1) Upstream/Raw Materials: Iron materials, aluminum materials, carbon fiber yarn, etc.
- (2) Midstream/Components including structural systems, handling systems, suspension systems, braking systems, etc.: Frames, front forks, handlebars, hub, tires, brakes, derailleurs, etc.
- (3) Downstream/Complete Bicycles: Bicycle and component assembly, sales, and after-sales services to consumers.

2. Product Competition:

In 2023, the Taiwanese bicycle industry faced challenges related to market inventory adjustments. Both electrical and

traditional bicycles experienced an increase in orders during the pandemic, which necessitated adjustments in inventory and orders, resulting in an overall downward trend in export scale. Despite these short-term adjustments, the industry benefits from the global rise in green transportation and healthy lifestyles. The increasing global focus on Environmental, Social, and Corporate Governance (ESG) issues further benefits the Taiwanese bicycle industry. As consumer concern for sustainability and environmental protection has grown, there is a noticeable increase in demand for electrical bicycles. This is especially true for high-end electrical bicycles, which combine innovative design with environmentally friendly manufacturing processes, meeting consumers' high expectations for quality and environmental sustainability. These trends provide medium- to long-term growth momentum for the bicycle industry, positioning it to maintain its competitiveness in the global market.

(3) Technology and R&D Overview:

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

Unit: NT\$

2023	As of 2024/3/31
69,570,764	23,483,125

2. Successfully Developed Technology or Product:

- (1) SILEX was awarded the BEST GRAVEL BIKE OF THE YEAR 2023 by OFFROAD.CC, an international press.
- (2) ONE-SIXTY 500 was awarded the BEST MOUNTAIN BIKE OF THE YEAR 2023 by international press OFFROAD.CC.
- (3) ONE-SIXTY 6000 was awarded the ENDURO (FULL SUSPENSION) BIKE OF THE YEAR 2023 by international press BIKERADAR/MBUK, and the Silver Quality Award under the Taiwan Excellence Award 2024.
- (4) ONE-FORTY 700 was awarded the TRAIL BIKE OF THE YEAR 2023 by international press BIKERADAR/MBUK.
- (5) ONE-SIXTY 10K was awarded Taipei Cycle d&i Award 2023.

(4) Long- and Short-term Business Development Plans:

1. Short-term Plans:

The demand for high-end bicycles in the Chinese market is anticipated to maintain a steady growth trend in 2024. Meanwhile, markets in Europe and America continue to deplete existing inventories. Facing new annual orders, the group plans to adjust its workforce allocation, optimize production line operations, and flexibly respond to changes in supply sources with an aim to

maintain agility and flexibility in a highly competitive market.

2. Mid-to-long Term Plans:

Looking ahead to the next 5-10 years, the global high-end bicycle market is expected to experience steady growth. This growth is influenced by several factors, including increased health awareness, urbanization, and climate change. The demand for high-end road bikes, mountain bikes, urban leisure bikes, and electrical bicycles will continue to rise. To adapt to market changes, the group will maintain sensitivity to the mid-to-high-end market and flexibly adjust product development, manufacturing, and sales services to meet diverse market needs. Meanwhile, the group will seize opportunities in emerging markets through investment and deployment emphasizing brand and channel to expand its global market share in the high-end bicycle segment, realizing a steady growth in profit.

ii. Market and Production & Promotion Overview

(1) Market Analysis:

1. Sales Information by Region:

Region	Percentage (%)
Europe	50.69%
America	15.00%
Others	34.31%

2. Market Share:

Comparing the statistics issued by Taiwan Bicycle Association (TBA), it is found that the Company's exports of bicycles from its Taiwan Plant in 2023 accounted for approximately 19.0% and 18.8% of the total number and value of bicycles exported by the Taiwan bicycle industry, respectively; in addition, the Company's exports of electrical bicycles in 2023 accounted for approx. 28.3% and 28.3% of the total number and value of electrical bicycles exported by the Taiwan bicycle industry, respectively. The exports of electrical bicycles from the Company (Taiwan Plant) in 2023 contributed to approximately 43% and 57% of the total sales volume and value (including bicycles) for the year, respectively.

3. Future Supply and Demand Status and Growth of the Market and the Company's Competitive Niche:

(1) As sales of leisure and sports bicycles are easily affected by weather conditions at the appropriate markets, plus the growth in sales price and volume is correlational to consumer purchasing power and market maturity (saturation), mature markets (e.g. Europe and the United States) yield high-priced consumption and have an annual

growth momentum of approximately 0-10% in terms of price and volume; In recent years, there has been significant increase in the demand for mid to high-end bicycles in Mainland China due to change in lifestyle. Meanwhile, emerging markets (e.g. Latin America, Asia, Africa, and Eastern Europe, etc.) are experiencing improving living standards and purchasing power. Despite the relatively late inception of sales and low market penetration for mid- to high-end bicycles and electrical bicycles, this indicates potential for significant growth in the upcoming years under favorable supply and demand conditions.

- (2) Amidst changes in market demand and intense industry competition, the Company maintains a strong position in the global mid-to-high-end bicycle market, focusing on the broad range of proprietary brand products under the group. The Company continuously engages in innovative research and development, aiming to provide environmentally friendly products with long life cycles. Through excellent product quality and sports marketing endorsements, the Company strives to enhance brand and product image, ensuring a leading supply position in the global market for high-end bicycles and electrical bicycles. In Mainland China, the Company aims to become the leading brand in the high-end bicycle sector. This commitment to high quality and sustainability reflects our sensitivity to market trends and consumer demands, ensuring our role as a key supplier in the global bicycle market while consolidating and expanding its leading position in the high-end bicycle segment in Mainland China.

4. Favorable and Unfavorable Factors in the Development Outlook and Responses:

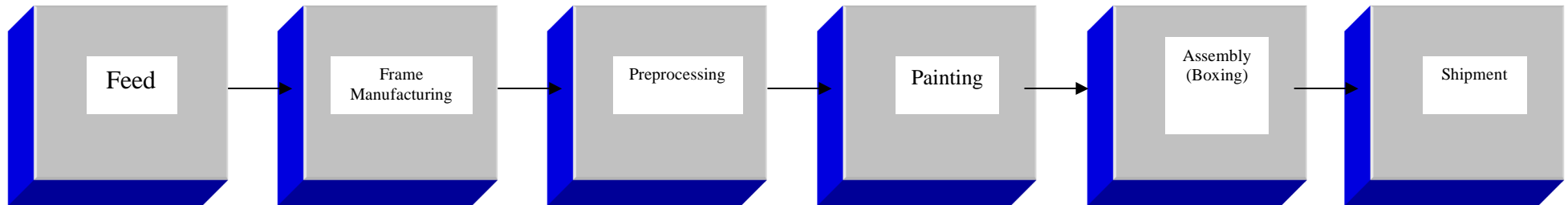
- (1) Favorable Factors and Responses: Due to the long-standing focus on the global mid- to high-end bicycle market through brand positioning, product development, production, channel layout, and sales, the Company has established a clear presence in the global market, with its multiple brands receiving support and recognition by customers in major markets, enjoying a certain level of brand awareness and market share; building upon this benign and solid foundation, the Company will strive to create demand, lead product development and innovation, enhance production management and technology, and continue expanding brand marketing services production capacity, and channel distribution to achieve sustainable growth.

- (2) Unfavorable Factors and Responses: Global uncertainties such

as climate, political and economic factors, and environmental challenges as well as unfriendly competition within the industry (e.g. counterfeiting, illicit transshipment, price disruption) pose threats to product, supply, and marketing in the market. The unstable fluctuations in major international currencies (e.g., USD to JPY or TWD, etc.) also present uncertainties in costs and returns; each operational department within the Company (group) identifies adverse factors affecting production, sales, and profitability. By integrating resources from all plants within the group, supply chains, and strategic alliance brands and partners, the Company proactively responds and mitigates risks. The Company aims to effectively utilize resources and opportunities, transforming risks and threats into maximum operational benefits.

(2) Important Usage and Procedure of Manufacturing Process of Main Products:

1. Main Product(s): Bicycle.
2. Usage: Means of transportation, Leisure and sports.
3. The Procedure of Manufacturing Process is as follows:



(3) Supply Status of Main Raw Materials:

Main Raw Materials	Source	Supply Status
Frame Components	Multiple Foreign and Domestic Vendors	Good
Fork Components	Multiple Foreign and Domestic Vendors	Good
Brake Components	Multiple Foreign and Domestic Vendors	Good
Motor Assembly for Electrical Bicycles	Multiple Foreign and Domestic Vendors	Good
Tires	Multiple Foreign and Domestic Vendors	Good
Gear Components	Multiple Foreign and Domestic Vendors	Good
Battery Packs	Multiple Foreign and Domestic Vendors	Good
Hub	Multiple Foreign and Domestic Vendors	Good
Chainring crank	Multiple Foreign and Domestic Vendors	Good
Flywheel Kit	Multiple Foreign and Domestic Vendors	Good

(4) Name of Suppliers (Customers) Engaged in Supply (Sales) Accounting for over 10% of Total Supplies (Sales) in Any of the Last Two Year:

Information on Major Suppliers for the Most Recent 2 Fiscal Years

Unit: NT\$ thousand

Item	2022				2023				2024 up to the Preceding Quarter (Note 2)			
	Name	Amount	Percentage of Annual Net Purchase (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Purchase (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase for the Year up to the Preceding Quarter (%)	Relationship with the Issuer
1	M3002	4,828,368	16.11	Non-related Party	M001	4,179,991	21.41	Non-related Party	M001	896,357	22.16	Non-related Party
2	-	-	-	Non-related Party	M002	2,048,256	10.49	-	M002	470,187	11.63	Non-related Party
3	Other	25,142,102	83.89	-	Other	13,291,074	68.10	-	Other	2,677,599	66.21	-
	Net Purchase	29,970,470	100.00		Net Purchase	19,519,321	100.00		Net Purchase	4,044,143	100.00	

Note 1: List all suppliers accounting for 10 percent or more of the Company's total procurement amount in the 2 most recent fiscal years and the amounts bought from each and the percentage of total procurement accounted for by each. If the company is prohibited by contract from revealing the name of a supplier, or a trading counterparty is an individual person who is not a related party, it may use a code in place of the actual name

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed.

Information on Major Customers for the Most Recent 2 Fiscal Years

Unit: NT\$ thousand

Item	2022				2023				2024 up to the Preceding Quarter (Note 2)			
	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Sales for the Year as of the Preceding Quarter (%)	Relationship with the Issuer
1	0301	25,310,243	68.40	Investee Company Evaluating Item Price using Equity Method	0301	13,012,658	47.73	Investee Company Evaluating Item Price using Equity Method	0301	2,070,638	35.42	Investee Company Evaluating Item Price using Equity Method
2	Other	11,692,839	31.60	-	Other	14,248,459	52.27	-	Other	3,774,857	64.58	-
	Net Sales	37,003,082	100.00		Net Sales	27,261,117	100.00		Net Sales	5,845,495	100.00	

Note 1: List all customers accounting for 10 percent or more of the Company's total sales amount in the 2 most recent fiscal years and the amounts sold to each and the percentage of total sales accounted for by each. If the company is prohibited by contract from revealing the name of a customer, or a trading counterparty is an individual person who is not a related party, it may use a code in place of the actual name

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed.

(5) Production in the Most Recent Two Years:

Unit: Units/NT\$ thousand

Main Products	Year	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Bicycles	1,940,000		870,908	11,541,438	1,850,000	904,642	10,799,307
Electrical Bicycles			346,197	15,427,338			204,365
Frame & Parts and Components		-	-	1,624,910		-	989,748
Total		1,940,000	1,217,105	28,593,686	1,850,000	1,109,007	20,829,298

Note 1: Production 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/NT\$ thousand

Main Products (Sectors)	Year	2022				2023			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Product ion Volume	Output	Productio n Volume	Output	Producti on Volume	Output	Productio n Volume	Output
Bicycles		20,751	213,174	944,060	14,643,909	14,025	185,594	958,446	14,500,867
Electrical Bicycles		461	37,667	341,334	19,236,126	452	36,443	193,947	10,567,181
Frame & Parts and Components		-	55,013	-	3,008,600	-	44,856	-	2,159,044
Service Revenue		-	-	-	12,941	-	-	-	12,256
Return and Discount of Sales		-	(8,173)	-	(196,175)	-	(8,828)	-	(236,296)
Total		21,212	297,681	1,285,394	36,705,401	14,477	258,065	1,152,293	27,003,052

iii. Human Resources

Year		2022	2023	As of April 30, 2024
Employees	Supervisor	164	164	166
	Staff	718	712	709
	Employee	2,169	2,085	2,207
	Total	3,051	2,961	3,082
Average Age		41	41	40

Average Years of Service		9.74	9.64	9.31
Distribution of Academic Qualifications %	PhD	0	0	0
	Master	3%	3%	3%
	University/College/ Junior College	22%	22%	22%
	Senior High	34%	36%	36%
	Below Senior High	41%	39%	39%

iv. Environmental Protection Expenditure

(1) Disclose the losses suffered by the Company resulting from violations against environmental pollution in the most recent year and up to the date of publication of the annual report (including compensation and violations against environmental protection laws and regulations, per environmental protection audit result, and date of disposition, disposition document number, articles the Company has violated against, contents of violated laws and regulations, and content of disposition shall be disclosed), and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained:

1. Violations Against Environmental Protection Laws and Regulations

(1) Compensations: None.

(2) Environmental Protection Audit Results:

Date of Disposition	Disposition Document No.	Articles the Company has violated Against	Contents of Violated Laws and Regulations	Content of Disposition
2023.06.16	Government-Authority-Environmental-Water-Zi-No. 11120229373	Article 7, Paragraph 1 and Article 14, Paragraph 1 of the Water Pollution Control Act	1. Effluent Sampling Test Results: The concentration of suspended solids is 43.2 mg/L, which exceeds the effluent standard limit of 30 mg/L and does not meet the effluent discharge standards. 2. Non-compliant Wastewater Storage: Upon	NT\$ 123,000

			inspection, a subterranean storage tank was found in use beneath the left side of the dewatering room. This tank is used to temporarily store process wastewater, which then flows together with the filtrate from the dewatering machine to the bar screen. This setup is not consistent with the registered permit.	
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(3) The estimated amount and response measures that may occur at present and in the future due to environmental pollution:

The Company submitted a permit change request by September 15th 2023, which is before the rectification deadline. Following review by the EPA, it was found to comply with regulations, and approval is granted by December 15th, 2023. Furthermore, any fines imposed have been paid within the specified deadline.

(2) Future Countermeasures and Possible Expenditure:

1. The Company aims to achieve environmental protection with zero pollution and workplace safety with zero accidents. In various manufacturing processes, efforts are made to replace high-pollution materials with low-pollution alternatives, comply with environmental regulations, and obtain environmental permits to ensure compliance with environmental emission standards and reduce environmental pollution. Improvements are made in machinery, equipment, and environmental safety to safeguard the well-being of workers and prevent accidents and injuries.
2. Measures for environmental protection and occupational health and safety include:
 - (1) Environmental and occupational health and safety education and training for new employees are offered to enhance their awareness of operational safety and eco-friendly production.
 - (2) Implementing efficient wastewater treatment and improving the quality of effluent. Establishing records of raw materials and wastewater discharge permits to effectively control the water quality entering the wastewater treatment facility. Using process acid and alkaline wastewater as adjusting agents to reduce the use

of wastewater additives.

- (3) Setting up dedicated areas for resource recycling, improving waste storage areas, implementing waste classification, and reducing waste generation.
- (4) Conducting regular environmental and occupational safety monitoring, including outsourced monitoring of water quality (effluent, drinking water), exhaust gases, and waste. Monitoring noise, dust, and organic solvents in the operation area.
- (5) Occupational Safety and Health Management Committee meetings are held quarterly to review self-inspections, safety and health audits, preventive measures for machinery, equipment, materials, and hazards, occupational accident investigation reports, health management, occupational disease prevention, and health promotion.
- (6) The dedicated environmental and occupational safety and health department, established according to the scale of the industry, includes a dedicated occupational safety and health office and related occupational safety and health management personnel. This office operates under the direct supervision of the general manager and is responsible for handling environmental protection and occupational safety and health matters. Meanwhile, occupational nurses and on-site medical services are also provided to promote employee health management and health promotion. Lactation rooms are set up in the plants to create a breastfeeding-friendly workplace.
- (7) It is anticipated that ISO 50001 will be introduced in 2024. By implementing ISO 50001, the Company may conduct a more effective energy management, leading to reduced energy costs, decreased greenhouse gas emissions, and enhanced competitiveness and sustainability.
- (8) In response to environmental conservation and energy efficiency, the Company plans to establish new renewable energy solar facilities in 2024. These facilities are expected to produce over 1.3 million kWh of green energy annually, resulting in a reduction of 603 metric tons of carbon emissions. Meanwhile, reduced plastic packaging (D2R) has been used on certain models of finished bicycle frames.
- (9) GHG Inventory
The Company recognizes the close relationship between climate change and sustainable development. In response to the challenges posed by climate change, MERIDA has adopted sustainable management policies and continues to conduct greenhouse gas inventories. In 2023, direct greenhouse gas emissions primarily came from the use of liquefied petroleum gas and diesel, while indirect emissions mainly originated from purchased electricity. Other indirect emission sources include employee commuting and business trips. The total greenhouse gas emissions for 2023

amounted to 12,064.4695 metric tons of CO₂e, with an emission intensity of 0.6030 CO₂e per million dollars. The increase in emission intensity was primarily due to additional categories in the 2023 inventory compared to 2022, including Category 3 - upstream transportation and distribution (land transport), Category 3 - upstream transportation and distribution (sea transport), and Category 4 - purchased goods (racks, brackets, etc.), resulting in an increase in greenhouse gas emissions. (For detailed greenhouse gas emission statistics, please refer to the table below.)

Item	2021	2022	2023
Scope 1: Direct GHG Emission (tons CO ₂ e)	1,937.8548	1,499.1016	1,582.0964
Scope 2: Indirect GHG Emission (tons CO ₂ e)	6,464.3000	6,586.1856	3,988.1001
Scope 3: Other Indirect Emission Sources (tons CO ₂ e)	--	1,893.1913	6,494.2730
Total Emission=Scope 1+Scope 2+ Scope 3 (tons CO ₂ e)	8,402.1548	9,978.4785	12,064.4695
GHG Emission Intensity (tons CO ₂ e/NT\$ millions)	0.3585	0.3121	0.6030
<p>Note:</p> <p>1. Emission factors are calculated based on the latest data announced by the Bureau of Energy, Ministry of Economic Affairs (Version 6.0.4 of the IPCC Sixth Assessment Report).</p> <p>2. The emission factor for purchased electricity refers to the emission factor announced by the Bureau of Energy, Ministry of Economic Affairs. The emission factors for electricity in 2021 and 2022 = 0.509 kg CO₂e/kWh; for 2023, the emission factors for electricity = 0.509 kg CO₂e/kWh.</p> <p>3. Greenhouse gas emission intensity = Total emissions (metric tons of CO₂e) / Revenue (in NT\$ millions).</p> <p>4. The data for 2021 were internally calculated by the Company, only including Scope 1 and Scope 2 emissions. In 2022, assistance from the relevant authorities is requested to conduct a comprehensive and scrutinized greenhouse gas inventory including Scope 1, Scope 2, and Scope 3 emissions. Scope 3 emissions include emissions from employee commuting, water usage, waste disposal and transportation, and other emissions.</p>			

(3) Energy-Saving and Environmental Protection Policies:

1. Dedicated bicycle parking areas are constructed in the plant areas to encourage employees to commute by bike instead of motorcycles or cars, reducing carbon emissions.
2. With carbon footprint mark-certified bicycle products, the Company intends to convey carbon footprint information to consumers through carbon labeling, providing purchasing references and encouraging changes in consumption behavior and lifestyle to collectively reduce vehicle emissions.
3. Digitized production process instructions to encourage employees to reduce printing, use double-sided or multi-page printing functions, and place paper recycling bins near photocopiers (printers) to reduce paper usage and minimize impact on trees and the environment.
4. The Company has organized large-scale cycling events for multiple years, promoting energy-saving, carbon reduction, and environmentally friendly cycling activities, and encouraging the use of bicycles for short-distance commuting.
5. The Company incorporates environmental protection concepts and cultivates children's interest and passion for bicycles from a young age. In addition, the Company organizes special bicycle DIY summer

camps to provide children with more professional knowledge about bicycles.

6. The Company fostered air quality purification zone in Changhua County with an area of 1.62 hectares, manage and care for plantings and overall environmental cleanliness. Utilizing the physiological characteristics of plants to absorb pollutants, the dust and suspended particles can be reduced and air quality can be purified, fulfilling corporate social responsibility and obligations.
7. The Company controls and regulates air pollution from heavy oil used in boilers, specifically targeting nitrogen oxides (NOx) and sulfur oxides (SOx). Also, the Company switches to low-pollution fuel liquefied petroleum gas to avoid environmental impacts in the surrounding area.
8. Recyclable waste materials such as scrap iron, aluminum, plastic, and paper are sorted and placed in centralized collection areas. Regular outsourcing is carried out for resource recycling. In 2023, the total weight of recyclable waste was 1,403 metric tons, a decrease of 34% compared to 2,112 metric tons in 2022. Furthermore, the total weight of non-recyclable waste in 2023 was 184 metric tons, a decrease of 17% compared to 221 metric tons in 2022.
9. The total volume of wastewater discharged in 2023 was 50,997 cubic meters, a decrease of 37% compared to 81,441 cubic meters in 2022.
10. The water consumption in 2023 was 87,458 cubic meters, a 28% decrease compared to 120,728 cubic meters in 2022.

v. Labor Relations

- (1) Employee Welfare Measures, Training and Development, Retirement System, Labor-Management Agreements, Employee Rights Protection Measures, and Implementation Status:

1. Measures for Employee Welfare:

- (1) Annual year-end bonuses are distributed before the Chinese New Year. The bonus is based on the wages for 60 days of service, with actual amount determined based on the Company's performance.
- (2) Bonuses are also distributed before the Dragon Boat Festival and Mid-Autumn Festival, with actual amount determined based on the Company's performance.
- (3) Monthly and yearly sales achievements and value creation are rewarded with bonuses.
- (4) If there is profit for the Company in a fiscal year, a proportion no less than 5% shall be set aside as employee compensation.
- (5) An Employee Welfare Committee is established to organize various employee activities and trips.
- (6) Employees are granted holidays in accordance with the "Labor Standards Act" and "Regulations on National Holidays and Festivals".

2. Continuing Education and Training:

- (1) Education and training management regulations and on-the-job training management policies are established in line with the company's development goals and the purpose of lifelong learning for employees. Talents at various levels are cultivated, and employees' knowledge and skills are enhanced to improve work efficiency.
- (2) Employee education and training at the Company include orientation training for new employees, in-house education and training, and external education and training.
- (3) On-the-job training opportunities at the Company include sponsored training and self-funded training.

3. Retirement System and Implementation Status:

- (1) The Company follows the "Labor Pension Act" for the retirement pension system, which is a government-managed defined contribution retirement plan. The Company contributes amount equivalent to 6% of the employee's monthly salary to the individual account under custody of the Bureau of Labor Insurance.
- (2) The Company also has a retirement pension system in compliance with the "Labor Standards Act", which is a defined benefit retirement plan. The payment of retirement pensions to employees is based on their years of service and the average salary over the six months prior to the approved retirement date. The Company contributes the amount equivalent to 6% of the employee's monthly salary to the employee pension, which is deposited in a special account at the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee. The Bureau of Labor Funds, under the Ministry of Labor, invests the plan assets in domestic and foreign equity securities, debt securities, and bank deposits. According to the regulations for the management and utilization of labor retirement funds, the minimum annual return distributed shall not be lower than the interest rate for a two-year fixed deposit in the local bank.
- (3) The Company estimates the retirement pension amount for employees who meet the retirement conditions under Article 53 or Article 54, Paragraph 1, of the Labor Standards Act for the next year and contributes the retirement pensions in full by the end of March of the following year.
- (4) The Company also sets aside an additional retirement fund based on 4% of the remuneration of appointed managers each month in accordance with the Regulations governing Retirement of Staff.
- (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, so the regulations and systems with respect to retirement are not necessary.

4. Workplace Diversity and Equality, Plus a Review on Management Performance for Further Reflection in Employee Compensation:

(1) The Company places importance on diversity and adheres to relevant labor and human rights regulations such as the Labor Standards Act, the Employment Service Act, and the Gender Equality in Employment Act in its talent recruitment and employment processes. Through practical actions, the Company safeguards the equal employment rights and interests of minority and vulnerable groups, making itself a friendly enterprise that provides equal employment opportunities without gender discrimination or barriers, and respects the rights of vulnerable groups.

(2) The Company also actively promotes diversity and inclusivity, ensuring that its corporate culture is open and non-discriminatory, allowing everyone to fully unleash their potential. Annually reviewing the global economic situation, industry conditions, and company operating profits, salaries are adjusted based on market levels for each job position and individual performance. The Company adheres to the principle of gender equality, providing grassroots employees with salaries that not only meet but also exceed the local minimum wage standards, regardless of gender.

5. Other Important Employee-Employer Agreements: None.

6. Measures for Protecting Rights of Employees:

(1) A Union is established to maintain rights and interests of the employees.

(2) Labor meetings are held in accordance with applicable regulations to strengthen employer-employee relationship.

(3) In accordance with the "Labor Standards Act", "Employment Service Act", "Act of Gender Equality in Employment", "Sexual Harassment Prevention Act", and related laws, the Company has adopted its "Work Rules" as guidelines for the rights and obligations of both labor and management, which has obtained

approval from the competent authority for implementation. The Company has also formulated relevant management regulations such as the "Labor Retirement Management Regulations", "Staff Retirement Management Regulations", and "Workplace Sexual Harassment Prevention, Complaint, and Disciplinary Management Regulations" to safeguard employee rights.

- (2) Disclose the losses suffered by the Company resulting from labor disputes in the most recent year and up to the date of publication of the annual report: None.
- (3) The estimated loss the Company may suffer at present and in the future due to labor dispute: None.

vi. Information and Communications Security Management

(1) Information and Communications Security Management Strategies and Frameworks

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

Manager of the Company's President Office concurrently serves as Information Security Officer

The units under his/her supervision and his/her responsibilities and duties include:

- 1) Information Security Audit Unit: performing information security audit in accordance with internal control and internal audit requirements.
- 2) Information Security Control Unit: performing information security software/hardware configurations and settings in accordance with regulations and requirements by the business.
- 3) Information Security Management Unit: management over departmental operations to ensure compliance with information security requirements by the business.

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

(2) Key Information Security Points

1. Disaster Prevention

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

1-2 Electricity: UPS 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. Antivirus

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

3. Theft Prevention

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

4. Hacking Prevention

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

The Company establishes its Information Security Management System (ISMS) to reduce enterprise security threats from system, technical, and procedural perspectives, and to create confidential information protection services that meet customer requirements.

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 and Resources Contributed to Information and Communications Security Management

1. Information Security Protection

1-1 Internet 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 Strengthening of Information Security Protection Technologies:

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

1-5 Recovery of Important Data:

Regular Drills on the Recovery of Important Backup Data to ensure quick restoration to normal operations upon system errors/exceptions.

1-6 Update of Data Security Protection Technologies

Introduction of Virtual and Optic-fiber Storage and Backup Framework for enhanced system data security.

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 Results-Inventory 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 Incidents

There was no material information and communications security incidents in 2023.

vii. Important Covenants:

Type of Contract	Counterparties	Starting and Ending Date	Summary	Restrictive Terms
Cycling Team Sponsorship Contract	BWTCT Bahrain WorldTour Cycling Team W.L.L.	2023.01.01 ∫ 2024.12.31	Sponsorship Deal with Pro Cycling Team-Team Bahrain -Victorious	None

VI. Finance Overview

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

(1)1. Condensed Balance Sheets-Based on IFRS [Consolidated Financial Statement]

Unit: NT\$ thousand

Item \ Year	Financial Summary for The Last Five Years (Note 1)					Financial Summary in 2024 as of March 31 (Note 3)	
	2019	2020	2021	2022	2023		
Current Assets	\$11,758,571	\$12,588,937	\$15,022,093	\$20,426,091	\$15,800,376	\$16,712,346	
Property, Plant and Equipment (Note 2)	2,400,791	2,685,572	2,489,995	2,446,031	2,304,304	2,314,753	
Intangible Assets	45,307	56,399	48,599	71,983	59,974	64,871	
Other Assets (Note 2)	11,476,121	14,351,569	17,948,262	19,609,329	19,992,545	20,676,700	
Total Assets	25,680,790	29,682,477	35,508,949	42,553,434	38,157,199	39,768,670	
Current Liabilities	Before Distribution	7,814,104	8,252,813	11,347,439	15,226,493	11,016,821	11,329,643
	After Distribution	9,069,836	10,345,700	13,739,309	17,319,380	Note 4	Note 4
Non-current Liabilities	3,462,826	4,649,077	5,589,786	5,832,322	5,570,042	5,582,047	
Total Liabilities	Before Distribution	11,276,930	12,901,890	16,937,225	21,058,815	16,586,863	16,911,690
	After Distribution	12,532,662	14,994,777	19,329,095	23,151,702	Note 4	Note 4
Equity Attributable to Shareholders of the Parent	13,778,685	16,034,136	17,755,250	20,583,685	20,519,549	21,775,847	
Capital Stock	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	2,989,838	
Capital Surplus	416,290	416,290	416,290	416,290	630,152	720,569	
Retained Earnings	Before Distribution	11,535,606	14,302,371	16,813,908	17,843,751	17,538,246	17,954,015
	After Distribution	10,279,874	12,209,484	14,422,038	15,750,864	Note 4	Note 4
Other equities	(1,163,049)	(1,674,363)	(2,464,786)	(666,194)	(638,687)	111,425	
Treasury Stock	-	-	-	-	-	-	
Non-controlling Interest	625,175	746,451	816,474	910,934	1,050,787	1,081,133	

Total Equity	Before Distribution	14,403,860	16,780,587	18,571,724	21,494,619	21,570,336	22,856,980
	After Distribution	13,148,128	14,687,700	16,179,854	19,401,732	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 Sheets-Based on IFRS [Standalone Financial Statement]

Unit: NT\$ thousand

Items \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current Assets		\$7,560,707	\$7,894,006	\$9,772,054	\$15,129,109	\$9,082,133
Property, Plant and Equipment		1,013,022	1,003,876	971,424	965,439	917,517
Intangible Assets		-	13,390	13,202	41,495	27,425
Other Assets		14,166,555	17,559,645	21,284,144	22,854,778	22,848,584
Total Assets		22,740,284	26,470,917	32,040,824	38,990,821	32,875,659
Current Liabilities	Before Distribution	5,971,976	6,837,042	9,735,808	13,775,691	7,966,076
	After Distribution	7,227,708	8,929,929	12,127,678	15,868,578	Note 2
Non-current Liabilities		2,989,623	3,599,739	4,549,766	4,631,445	4,390,034
Total Liabilities	Before Distribution	8,961,599	10,436,781	14,285,574	18,407,136	12,356,110
	After Distribution	10,217,331	12,529,668	16,677,444	20,500,023	Note 2
Equity Attributable to Shareholders of the Parent		13,778,685	16,034,136	17,755,250	20,583,685	20,519,549
Capital Stock		2,989,838	2,989,838	2,989,838	2,989,838	2,989,838
Capital Surplus		416,290	416,290	416,290	416,290	630,152
Retained Earnings	Before Distribution	11,535,606	14,302,371	16,813,908	17,843,751	17,538,246
	After Distribution	10,279,874	12,209,484	14,422,038	15,750,864	Note 2
Other equities		(1,163,049)	(1,674,363)	(2,464,786)	(666,194)	(638,687)
Treasury Stock		-	-	-	-	-
Non-controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	13,778,685	16,034,136	17,755,250	20,583,685	20,519,549
	After Distribution	12,522,953	13,941,249	15,363,380	18,490,798	Note 2

Note 1: Financial data in period 2019~2023 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 Statement of Comprehensive Income-Based on IFRS
[Consolidated Financial Statement]

Unit: NT\$ thousands, except for EPS in NT\$

Item \ Year	Financial Summary for The Last Five Years					Financial Summary in 2024 as of March 31
	2019	2020	2021	2022	2023	
Operating Revenue	\$28,243,214	\$27,072,342	\$29,391,183	\$37,003,082	\$27,261,117	5,845,495
Realized Gross Profit	3,736,328	4,065,749	3,900,120	5,695,843	5,623,835	1,114,160
Profit (Loss) from Operations	1,710,826	1,884,222	1,589,376	3,437,465	3,385,943	531,726
Non-Operating Income and Expenses	1,492,854	3,356,595	4,615,377	1,060,381	(636,286)	77,802
Pre-Tax Income	3,203,680	5,240,817	6,204,753	4,497,846	2,749,657	609,528
Current Net Income from Continuing Operations	2,500,984	4,112,147	4,788,170	3,454,418	1,798,762	432,734
Loss from Discontinued Operations	-	-	-	-	-	-
Current Net Income (Loss)	2,500,984	4,112,147	4,788,170	3,454,418	1,798,762	432,734
Other Current Comprehensive Income (Net after Tax)	(435,584)	(461,204)	(904,146)	1,863,496	157,295	763,493
Total of Current Comprehensive Income	2,065,400	3,650,943	3,884,024	5,317,914	1,956,057	1,196,227
Net Income Attributable to Owners of Parent	2,502,443	3,993,317	4,649,502	3,389,063	1,691,823	415,769
Net Income Attributable to Non-Controlling Interests	(1,459)	118,830	138,668	65,355	106,939	16,945
Total Comprehensive Income Attributable to Owners of Parent	2,093,046	3,511,692	3,814,001	5,220,305	1,814,889	1,165,881
Total Comprehensive Income Attributable to Non-Controlling Interests	(27,646)	139,251	70,023	97,609	141,168	30,346
EPS	8.37	13.36	15.55	11.34	5.66	1.39

*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 Statement of Comprehensive Income-Based on IFRS
[Standalone Financial Statement]

Unit: NT\$ thousands, except for EPS in NT\$

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating Revenue	\$25,004,210	\$20,229,413	\$23,434,868	\$31,977,115	\$20,008,786
Realized Gross Profit	2,582,969	2,254,665	1,923,662	3,573,258	2,712,682
Profit (Loss) from Operations	1,748,716	1,394,419	975,942	2,757,233	2,001,595
Non-Operating Income and Expenses	1,424,671	3,636,725	4,914,788	1,538,702	350,083
Pre-Tax Income	3,173,387	5,031,144	5,890,730	4,295,935	2,351,678
Current Net Income from Continuing Operations	2,502,443	3,993,317	4,649,502	3,389,063	1,691,823
Loss from Discontinued Operations	-	-	-	-	-
Current Net Income (Loss)	2,502,443	3,993,317	4,649,502	3,389,063	1,691,823
Other Current Comprehensive Income (Net after Tax)	(409,397)	(481,625)	(835,501)	1,831,242	123,066
Total of Current Comprehensive Income	2,093,046	3,511,692	3,814,001	5,220,305	1,814,889
Net Income Attributable to Owners of Parent	2,502,443	3,993,317	4,649,502	3,389,063	1,691,823
Net Income Attributable to Non-Controlling Interests	-	-	-	-	-
Total Comprehensive Income Attributable to Owners of Parent	2,093,046	3,511,692	3,814,001	5,220,305	1,814,889
Total Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-
EPS	8.37	13.36	15.55	11.34	5.66

Note: Financial data in period 2018~2022 have already been audited and attested by accountants.

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

Year	CPA Firm	CPA	Audit Opinion
2019	Deloitte & Touche Taiwan	Shu-Ching Chiang, Done-Yuin Tseng	Unqualified Opinion with the paragraphs of other matter
2020	Deloitte & Touche Taiwan	Shu-Ching Chiang, Done-Yuin Tseng	Unqualified Opinion with the paragraphs of other matter
2021	Deloitte & Touche Taiwan	Shu-Ching Chiang, Done-Yuin Tseng	Unqualified Opinion with the paragraphs of other matter
2022	Deloitte & Touche Taiwan	Shu-Ching Chiang, Done-Yuin Tseng	Unqualified Opinion with the paragraphs of other matter
2023	Deloitte & Touche Taiwan	Wu, Shao-Chun, Done-Yuin Tseng	Unqualified Opinion with the paragraphs of other matter
Q1 2024	Deloitte & Touche Taiwan	Wu, Shao-Chun, Done-Yuin Tseng	Review Report with Qualified Conclusion

ii. Financial Analysis in the Most Recent Five Years

(1)1. Financial Analysis-Based on IFRS[Consolidated Financial Statement]

Items		Year	Financial Summary for The Last Five Years					Financial Information as of March 31, 2024 (Note 1)
			2019	2020	2021	2022	2023	
Financial Structure	Debt-to-Asset Ratio		43.9	43.5	47.7	49.5	43.5	42.5
	Long-Term Funds to Property, Plant, and Equipment		614.8	661.9	785.9	927.6	986.8	1,036.1
Solvency	Current Ratio		150.5	152.5	132.4	134.2	143.4	147.5
	Quick Ratio		89.9	90.6	57.8	65.5	56.3	63.6
	Times Interest Earned		74.0	101.8	131.8	59.1	13.0	12.4
Operating Performance	Average Collection Turnover (Times)		11.3	12.3	14.8	12.4	8.8	6.7
	Average Collection Days		32.3	29.8	24.6	29.4	41.5	54.7
	Average Inventory Turnover (Times)		5.7	4.8	3.9	3.4	2.2	1.9
	Average Payables Turnover (Times)		5.9	4.9	5.4	6.0	5.1	4.2
	Days' Sales in Inventory		64	76	93	108	167	193
	Property, Plant, and Equipment Turnover (Times)		11.8	10.1	11.8	15.1	11.8	10.1
	Total Asset Turnover (Times)		1.1	0.9	0.8	0.9	0.7	0.6
Profitability	Return on Assets (%)		10.5	15.0	14.8	9.0	4.9	1.2
	Return on Equity (%)		18.1	26.4	27.1	17.2	8.4	2.0

	Pre-Tax Income to Paid-in Capital (%)	107.1	175.3	207.5	150.4	92.0	20.4
	Net Profit Margin (%)	8.9	15.2	16.3	9.3	6.6	7.4
	EPS (NT\$)	8.4	13.4	15.6	11.3	5.7	1.4
Cash Flow	Cash Flow Ratio (%)	15.4	25.6	6.9	11.4	(2.4)	3.0
	Cash Flow Adequacy Ratio (%)	67.4	70.8	43.5	43.3	34.0	43.6
	Cash Reinvestment Ratio (%)	0.8	3.7	(5.0)	(2.3)	(8.1)	(1.1)
Leverage	Operating Leverage	1.2	1.2	1.2	1.1	1.1	1.1
	Financial Leverage	1.0	1.0	1.0	1.0	1.1	1.1

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. Times Interest Earned: decreased by 78% primarily due to decrease in profit before tax resulting from significant decrease in the gains from investments in the current year.
2. Average Collection Turnover: decreased by 29% primarily due to decrease in current revenue and lowered net sales.
3. Average Collection Days: increased by 41% primarily due to decreased Average Collection Turnover for the current period compared with that in the preceding period.
4. Average Inventory Turnover: decreased by 35% primarily due to decreased profits, which led to reduced operating costs.
5. Days' Sales in Inventory: increased by 55% primarily due to decreased Average Inventory Turnover for the current period compared with that in the preceding period.
6. Property, Plant, and Equipment Turnover: decreased by 22% primarily due to decreased profits and reduced net sales.
7. Return on Assets: decreased by 46% due to decreased profits.
8. Return on Equity: decreased by 51% due to decreased profits.
9. Pre-Tax Income to Paid-in Capital: decreased by 39% due to decreased profits.
10. Net profit margin: decreased by 29% due to decreased profits.
11. EPS: decreased by 50% due to the decreased profits.
12. Cash Flow Ratio: decreased by 121% primarily due to increase in net cash flow from operating activities.
13. Cash Flow Adequacy Ratio: decreased by 21% primarily due to increase in net cash flow from operating activities.
9. Cash Reinvestment Ratio: decreased by 252% primarily due to increase in net cash flow from operating activities.

*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: Financial report in period 2019~2023 have already been audited and attested by accountants.

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed.

Note 3: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

- (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.
3. Operating performance
- (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
 - (2) Average collection days = 365 / accounts receivable turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
 - (5) Average days in sales = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
- (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average total equity.
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income – interest expenses).
- Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:
1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
 2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
 3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
 4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.
- Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
 2. Capital expenditures refer to the annual cash outflow used in capital investment.
 3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
 4. Cash dividends include the cash dividends of common stock and preferred stock.
 5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.
- Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.
- Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

(1)2. Financial Analysis-Based on IFRS [Standalone Financial Statement]

Item \ Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Financial Structure	Debt-to-Asset Ratio	39.41	39.43	44.59	47.21	37.58
	Long-Term Funds to Property, Plant, and Equipment	1,360.2	1,597.2	1,827.8	2,132.1	2,236.4
Solvency	Current Ratio	126.6	115.5	100.4	109.8	114.0
	Quick Ratio	103.5	74.4	41.4	68.5	75.6
	Times Interest Earned	339.3	1,098.1	562.5	129.7	25.4
Operating Performance	Average Collection Turnover (Times)	8.2	7.8	13.0	9.5	4.7
	Average Collection Days	45	47	28	38	78
	Average Inventory Turnover (Times)	14.6	8.8	5.3	5.0	3.9
	Average Payables Turnover (Times)	5.6	4.1	4.9	6.0	4.8
	Days' Sales in Inventory	25	42	69	73	94
	Property, Plant, and Equipment Turnover (Times)	24.7	20.2	24.1	33.1	21.8
	Total Asset Turnover (Times)	1.1	0.8	0.7	0.8	0.6
Profitability	Return on Assets (%)	11.6	16.2	15.9	9.6	4.9
	Return on Equity (%)	18.9	26.8	27.5	17.7	8.2
	Pre-Tax Income to Paid-in Capital (%)	106.1	168.3	197.0	143.7	78.7
	Net Profit Margin (%)	10	19.7	19.8	10.6	8.5
	EPS (NT\$)	8.4	13.4	15.6	11.3	5.7
Cash Flow	Cash Flow Ratio (%)	25.1	13.6	11.0	17.9	1.1
	Cash Flow Adequacy Ratio (%)	89.3	76.7	46.8	55.3	44.9
	Cash Reinvestment Ratio (%)	2.7	(1.7)	(4.5)	0.3	(7.9)
Leverage	Operating Leverage	1.0	1.1	1.1	1.1	1.1
	Financial Leverage	1.0	1.0	1.0	1.0	1.1

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. Debt-to-Asset Ratio: decreased by 20% primarily due to decreased current liabilities resulting from reduced accounts payable and unearned sales revenue.
2. Times Interest Earned: decreased by 80% due to decrease in returns from investments in the current period, which led to decreased pre-tax profits.
3. Accounts Receivable Turnover: decreased by 51% primarily due to decreased revenue, which led to net sales in decline.
4. Accounts Payable Turnover: decreased by 20% primarily due to decreased revenue, which led to reduced operating costs.
5. Average Collection Days: increased by 105% primarily due to decrease in accounts receivable turnover compared with that in the previous period.
6. Average Inventory Turnover: decreased by 22% primarily due to decreased revenue, which led to reduced operating costs.

7. Days' Sales in Inventory: increased by 29% primarily due to decrease in inventory turnover compared with that in the previous period.
8. Total Asset Turnover: decreased by 25% due to decrease in profit.
9. Return on Assets: decreased by 49% due to decrease in profit.
10. Return on Equity: decreased by 54% due to decrease in profit.
11. Pre-Tax Income to Paid-in Capital: decreased by 45% due to decrease in profit.
12. Net Profit Margin: decreased by 20% due to decrease in profit.
13. EPS: decreased by 50% due to decrease in profit.
12. Cash Flow Ratio: reduced by 94% primarily due to decrease in net cash flow from operating activities.
13. Cash Reinvestment Ratio: decreased by 2,733% primarily due to decrease in net cash flow from operating activities.

*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 2019–2023 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 Review Report

The Board of Directors has compiled and submitted the Company's parent-company only and consolidated financial statements audited and attested by CPAs Wu, Shao-Chun and Done-Yuin Tseng of Deloitte & Touche Taiwan, with audit report issued. The aforesaid financial statements and 2022 Business Report have been reviewed and determined to be correct and accurate by the Audit Committee. In accordance with applicable provisions in Securities and Exchange Act and Company Act, I hereby submit this report.

Yours Faithfully

2024 Annual Shareholders' Meeting

Merida Industry Co. Ltd.
Convener of the Audit Committee:
Chen, Shui-Jin



March 14, 2024

- iv. Consolidated Financial Report of 2023: Please refer to Page 241.
- v. Standalone Financial Report of 2023: Please refer to Page 182.
- vi. The Impacts of Financial Difficulties on the Financial Situation of the Company and its Affiliated Enterprises in Recent Years and up to the Date of Publication of the Annual Report: None.

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

i. Financial Status:

(1) Comparison and Analysis on Financial Status:

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Current Assets	20,426,091	15,800,376	(4,625,715)	(22.6)
Fund and Investment	18,923,258	18,958,772	35,514	0.2
Property, Plant, and Equipment	2,446,031	2,304,304	(141,727)	(5.8)
Other Assets	758,054	1,093,747	335,693	44.3
Total Asset	42,553,434	38,157,199	(4,396,235)	(10.3)
Current Liabilities	15,226,493	11,016,821	(4,209,672)	(27.6)
Long-Term Liabilities	1,195,246	1,169,575	(25,671)	(2.1)
Other Liabilities	4,637,076	4,400,467	(236,609)	(5.1)
Total Liabilities	21,058,815	16,586,863	(4,471,952)	(21.2)
Equity Attributable to Owners of Parent	20,583,685	20,519,549	(64,136)	(0.3)
Share Capital	2,989,838	2,989,838	0	0.0
Capital Surplus	416,290	630,152	213,862	51.4
Retained Earnings	17,843,751	17,538,246	(305,505)	(1.7)
Other Equities	(666,194)	(638,687)	27,507	(4.1)
Non-Controlling Interests	910,934	1,050,787	139,853	15.4
Total Equity	21,494,619	21,570,336	75,717	0.4

(2) Descriptions:

1. Current assets decreased primarily due to decreases in cash and cash equivalent and accounts receivable.
2. Other assets increased primarily due to increase in non-current financial assets measured at amortized cost.
3. Current liabilities decreased primarily due to decreases in notes payable and accounts.
4. Total liabilities decreased primarily due to decreases in notes payable and accounts.
5. Capital surplus increased primarily due to increase in the change in the net equity of associates recognized using the equity method.

ii. Financial Performance

(1) Comparison and Analysis of Financial Performance:

Unit: NT\$ thousand

Item \ Year	2022	2023	Gain (Loss) Amount	Change Proportion (%)
Net Operating Revenue	37,003,082	27,261,117	(9,741,965)	(26.3)
Operating Cost	30,611,767	22,147,087	(8,464,680)	(27.7)
Operating Margin	6,391,315	5,114,030	(1,277,285)	(20.0)
Realized (Unrealized) Gain on Sales	(695,472)	509,805	1,205,277	173.3
Net Operating Margin	5,695,843	5,623,835	(72,008)	(1.3)
Operating Expenses	2,258,378	2,237,892	(20,486)	(0.9)
Non-Operating Income and Expenses	1,060,381	(636,286)	(1,696,667)	(160.0)
Pre-Tax Income	4,497,846	2,749,657	(1,748,189)	(38.9)
Income Tax Expense	1,043,428	950,895	(92,533)	(8.9)
Current Net Profit	3,454,418	1,798,762	(1,655,656)	(47.9)
Other Current Comprehensive Income (Net after Tax)	1,863,496	157,295	(1,706,201)	(91.6)
Total of Current Comprehensive Income	5,317,914	1,956,057	(3,361,857)	(63.2)
Net Income Attributable to Owners of Parent	3,389,063	1,691,823	(1,697,240)	(50.1)
Net Income Attributable to Non-Controlling Interests	65,355	106,939	41,584	63.6
Total Comprehensive Income Attributable to Owners of Parent	5,220,305	1,814,889	(3,405,416)	(65.2)
Total Comprehensive Income Attributable to Non-Controlling Interests	97,609	141,168	43,559	44.6

(2) Descriptions:

1. Decrease in net sales, operating costs, and gross profit: Primarily due to decreased market demand resulting in reduced sales compared to the previous year.
2. Increase in unrealized gains on sales of inventory: Primarily due to conversion of unrealized gains on sales from the previous year into realized gains in the current period.
3. Increase in non-operating income and expenses: Primarily due to a decrease in profits from the investee companies.
4. Decrease in profit before tax: Primarily due to a decrease in profits from the investee companies.

5. Decrease in other comprehensive income and total comprehensive income: Primarily due to the decrease in the foreign currency translation differences of the financial statements of overseas operations.
6. Decrease in net profit attributable to owners of the parent company and non-controlling interest: Primarily due to a decrease in consolidated profit for the current period.
7. Increase in net income attributable to non-controlling interests: Primarily due to increase in subsidiaries profits for the current period.
8. Increase in total comprehensive income attributable to owners of the parent company and non-controlling interest: Primarily due to increase of other comprehensive income by subsidiaries in the current period.

iii. Cash Flow:

(1) Comparison and Analysis of Cash Flow:

Item \ Year	2022	2023	Gain (Loss) Proportion (%)
Cash Flow Ratio (%)	11.4	(2.4)	(121.1)
Cash Flow Adequacy Ratio (%)	43.3	34.0	(21.5)
Cash Reinvestment Ratio (%)	(2.3)	(8.1)	(252.2)

(2) Descriptions:

Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Reinvestment Ratio decreased primarily due to decrease in profits, which led to outflow of net cash flow from operating activities.

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

Unit: NT\$ thousand

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)
3,459,041	703,016	2,165,798	1,996,259	-	-

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

(1) Utilization of Material Capital Expenditure and Funding Source:

1. In recent years, the Company's operations have been consistently improving. While some factory expansions were completed between 2008 and 2011, additional land adjacent to the existing

factory site was acquired in 2013 to meet the needs of the production line. Investments totaling approx. NT\$250 million were made in progression to establish new electrical bicycle facilities and production lines, whilst electrical bicycle production line optimization is in progress.

2. In order to increase the production capacity of the frame production line and improve the accuracy and speed of pipe cutting, the Company has been upgrading pre-processing equipment, purchasing laser cutting machines, and automated welding machines between 2017 and 2023. In addition, to enhance logistics and handling efficiency, the Company has gradually introduced an AGV (Automated Guided Vehicle) system since 2018; furthermore, in response to environmental protection and corporate social responsibility, the Company has invested approximately NT\$24 million throughout the recent years to upgrade its wastewater treatment facilities.

3. Funding source: Utilizing the Company's own funds.

(2) Expected benefits: The expansion and establishment of the electrical bicycle facilities are estimated to have an annual production capacity of approximately 420,000 units and an annual output value of approximately NT\$22.9 billion. The improvement of the frame production line and equipment is expected to increase the production capacity 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

(1) The establishment of MERIDA subsidiary in Germany in 1988 marked the successful entry of the Company's own brand MERIDA into the European market. As of now, the Company has invested in the establishment of 13 companies in Europe; in the United States, the Company has invested in Specialized Bicycle Components, Inc.; in Japan and Korea, MERIDA has established subsidiaries named MERIDA JAPAN CO., LTD. and MERIDA (Korea) Co., Ltd; in Mainland China, in addition to manufacturing bicycles in Shenzhen, Shandong, and Nantong, the Company has established 16 branch offices to expand its domestic market. Furthermore, the Company has professional agents in over 58 countries worldwide, completing the construction of its global sales network for bicycles.

(2) Long-term equity investments may provide the Company with sales opportunities and generate investment returns.

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 2023, the US dollar interest rates increased significantly, while the Japanese yen interest rates remained relatively stable. As a result, the Company's interest expenses for imported raw materials denominated in US dollars and Japanese yen increased by NT\$62,862 thousand compared to 2022. In the outlook for 2024, despite the normalization of global supply chains, the consumer market may not be sufficiently vibrant. Major global manufacturers are still striving to reduce the inventories accumulated during the pandemic period, amidst the weakened demand in the international market and economic sluggishness. Consequently, as the consumer frenzy subsides, overall inflation is expected to further slowdown. It is anticipated that in 2024, the Federal Reserve (Fed) of the United States will temporarily pause interest rate hikes or even consider rate cuts. For our company, which incurs expenses in importing raw materials priced in USD, interest expenses are expected to remain stable or slightly decrease.
 2. In 2023, the significant fluctuation in exchange rates, particularly the appreciation and subsequent depreciation of the USD and the weakening and devaluation of the Japanese Yen, had a substantial impact on the Company's profit and loss. This resulted in a foreign exchange gain of NT\$28,840 million.
 3. Looking ahead to 2024, besides the influence of global currency inflation, ongoing geopolitical tensions such as the Russo-Ukrainian War, Gaza Strip clashes, and the Red Sea crisis have contributed to soaring prices of commodities and shipping. This has led to a continuous uptrend in both domestic and international raw material prices. The Company will remain vigilant of international price trends and rigorously control various expense items to strive for cost reduction.
 4. In the future, the Company will take into consideration the trends in interest rates and exchange rates, and align its strategies with 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) "Lightweight Carbon Fiber Aero Bike" R&D Project:

Estimated Investment in R&D at NT\$9,000 thousand.

The "Lightweight Carbon Fiber Aero Bike" is a high-end road bike that integrates aerodynamics, focusing on lightweight design and speed. Its frame is constructed using high-modulus carbon fiber composite material, which ensures both strength and lightweight characteristics. The frame's shape is meticulously designed with the lowest possible drag coefficient based on wind tunnel testing. Combined with concealed wiring, the overall appearance is elegant and exudes a sense of speed, while minimizing the impact of tubing on air resistance. It's ideal for riders seeking ultimate speed performance.

(2) "Advanced & High Torque Full Suspension Enduro E-Mountain Bikes" R&D Project:

Estimated Investment in R&D at NT\$9,000 thousand.

The main objective of the "Advanced & High Torque Full Suspension Enduro E-Mountain Bikes" is designed for long travels and exceptional adaptability to rugged terrains. The frame is made of aluminum alloy material and features hidden cable routing, giving it a simple and clean appearance. Equipped with the latest GEN5 high-torque motor from BOSCH and a large-capacity battery, along with larger shock absorber travel and wide tires, riders can maintain comfort even on bumpy roads. The large-capacity battery allows riders to easily tackle long-distance rides. With its excellent terrain adaptability, paired with the BOSCH high-torque motor and large-capacity battery, this bike appeals to enthusiasts who enjoy thrilling off-road experiences.

(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
Lightweight Carbon Fiber Aero Bike	Drawing Design in Progress. Product Specification	Approx. NT\$9 million	Q2 2024-Drawing and Graphics Complete Q3 2024-Mold Complete Q4 2024-Sample Testing and Tuning, plus Testing	The lightweight and aerodynamic design, along with concealed wiring, enhances the added value and

	under Planning.		and Evaluation by professional European cycling teams. Q1 2025-Mass Production.	selling price of the bicycle.
Advanced & High Torque Full Suspension Enduro E-Mountain Bikes	Mold Completed	Approx. NT\$9 million	Q1 2024-Drawing and Graphics Complete Q2 2024-Mold Complete Q3 2024-Sample Testing and Tuning, plus Testing and Evaluation in Europe Q4 2024-Mass Production.	Greater suspension travel combined with the latest GEN5 high-torque motor from BOSCH and a large-capacity battery caters to a broader range of consumers, creating additional value.

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

1. In order to implement and promote sustainable development, the Company has established sustainability policies, systems, or related management guidelines approved by the Board of Directors. The senior management under authorization establishes the "MERIDA ESG Promotion Committee", whereas the said policies and guidelines are publicly announced on the Corporate Website. The aforementioned measures are to drive corporate governance, risk management, corporate social responsibility, climate change strategies, and environmental protection. Starting from 2023, the Company will prepare an annual Sustainability Report based on the requirements and submit it to the Board of Directors for review. The Board of Directors will also provide timely supervision of the ESG Promotion Committee to ensure the implementation of environmental conservation, energy efficiency, and strengthening of corporate governance and risk management.
2. The Company continues to monitor important domestic and international policies, financial and economic situations, securities regulations, tax laws, financial accounting standards, and other relevant regulatory changes. It proactively responds to these changes in order to minimize their impact on the Company.

(5) Effects of and Response to Changes in Technology (including ICT security risks) and the Industry Relating to Corporate Finance and Sales:

1. The Company continues to introduce technology advancements from the industry and applies them to product development and process improvement.
2. To enhance the Company's information security management, various measures are implemented to address information risks, such as device management, hardware protection, application

system security monitoring, internet and mobile security, etc.

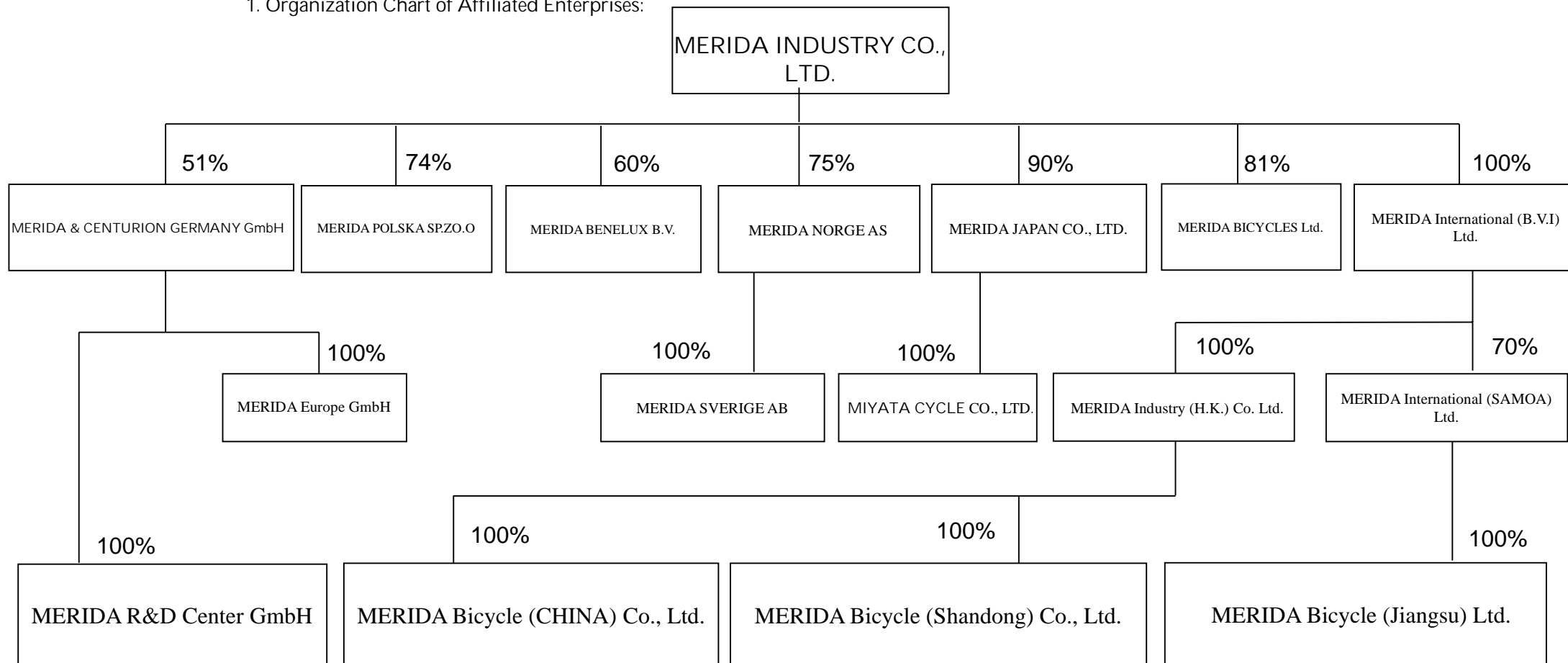
3. The Company performs technical and managerial checks to improve and enhance network and information system security capabilities, as well as information governance standards.
 4. The Company has not experienced any significant financial or operational impacts due to technological changes in the most recent year and up to the date of publication of the annual report.
- (6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None.
- (7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
- (8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:
1. Expected Benefits from Factory Expansion Plans, please refer to 4.(2) on Page 169.
 2. Possible Risks and Mitigation Measures: The Company may face significant risks due to global inflation, ongoing conflicts such as the Russo-Ukrainian War, Gaza Strip tensions, and the Red Sea crisis, leading to soaring prices of commodities and shipping costs. This could result in a continued upward trend in both domestic and foreign raw material prices. Given the economic softness and weakened demand in the international market, apart from China, global market demand may not show significant improvement. Therefore, it is essential to regularly assess inventory turnover capability and adjust procurement policies accordingly to mitigate financial pressure and risks. Meanwhile, the Company shall manage production scale and optimize production lines to meet customer order demands under the best production configuration.
- (9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.
- (10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
- (11) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.
- (12) Any litigation or non-litigious proceeding: None.
- (13) Other Important Risks: None.
- vii. Other Important Matters: None.

VIII. Special Disclosure

i. Summary of Affiliated Enterprises:

(1) Consolidated Business Report of Affiliated Enterprises:

1. Organization Chart of Affiliated Enterprises:



2. Basic Information of Each Affiliated Enterprise:

Ending Date: December 31, 2022

Name of Enterprise	Date of Establishment	Address	Paid-in Capital (in thousand)	Main Scope of Business
MERIDA & CENTURION GERMANY GmbH	September 14, 2001	BlumenstraBe 51 D-71106 Magstadt Germany.	EUR6,000	Sales of Bicycle and Bicycle Parts and Components.
MERIDA Europe GmbH	February 20, 2002	BlumenstraBe 49-51 D-71106 Magstadt Germany.	EUR25	Brand Promotion and Cycling Team Management.
MERIDA R&D Center GmbH	January 16, 2014	BlumenstraBe 49-51 D-71106 Magstadt Germany.	EUR25	Design and Development of Bicycles.
MERIDA POLSKA SP.ZO.O	June 13, 2001	Ul. M.Curie-Sklodowskiej 35,41-800 Zabrze Poland.	PLN135	Sales of Bicycle and Bicycle Parts and Components.
MERIDA BENELUX B.V.	June 10, 1998	Laan van Westenenk 102, 7336 AZ, Apeldoorn, The Netherlands	EUR3,341	Sales of Bicycle and Bicycle Parts and Components.
MERIDA BICYCLES Ltd.	February 28, 1995	Unit 2 Alder Court Rennie Hogg Road Riverside Business Park, Nottingham, NG2 1RX.	GBP592	Sales of Bicycle and Bicycle Parts and Components.
MERIDA International (B.V.I) Ltd.	January 31, 1997	CITCO Building P.O.Box 662, Road Town ,Tortola, British Virgin Islands.	USD42,500	Holding Company.
MERIDA Industry (H.K.) Co. Ltd.	May 18, 1993	Room C, 21F, Lee & Man Commercial Center, No. 169, Electric Rd., Causeway Bay, Hong Kong	HKD202,800	Investment and Holding.
MERIDA International (SAMOA) Ltd.	April 23, 2012	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, Samoa	USD35,000	Investment and Holding.
MERIDA Bicycle (CHINA) Co., Ltd.	July 12, 1990	No. 278, Jihua Rd., Lihu Community, Jihua Neighborhood, Longgang Dist. Shenzhen City	RMB69,936	Manufacturing, Processing, Assembly and Sales of Bicycles and Electrical Bicycles and Parts and Components Thereof.

MERIDA Bicycle (Shandong) Co., Ltd.	March 3, 2007	No. 2388, Junhua Blvd., Dezhou Economic Development Zone, Shandong Province	RMB118,676	Manufacturing, Processing, Assembly and Sales of Bicycles and Parts and Components Thereof.
MERIDA Bicycle (Jiangsu) Ltd.	June 28, 2012	No. 11, Xinxing E. Rd., NANTONG ECONOMIC & TECHNOLOGICAL DEVELOPMENT AREA, Jiangsu Province	RMB219,321	Manufacturing, Sales, Import/Export and Wholesale of Bicycles and Electrical Bicycles and Parts and Components Thereof.
MERIDA JAPAN CO., LTD.	June 1, 2010	11-27 Higashida-cho Kawasaki-ku, Kawasaki-shi, kanagawa MetLife Kawasaki Building 6F	JPY100,000	Sales of Bicycle and Bicycle Parts and Components.
MIYATA CYCLE CO., LTD.	July 1, 2020	2746-5 B1F, Inokuchi, Nakai-Machi, Ashigarakami-Gun, Kanagawa, 259-0151, Japan	JPY30,000	Sales of Bicycle and Bicycle Parts and Components.
MERIDA NORGE AS	June 20, 1976	Vaekeroeveien 210, 0751 Oslo, Norway	NOK26,400	Sales of Bicycle and Bicycle Parts and Components.
MERIDA SVERIGE AB	July 15, 2009	Ovre Husargatan 32, 413 14 Gothenburg, Sweden	SEK1,000	Sales of Bicycle and Bicycle Parts and Components.

3. Information of Identical Shareholders Affiliate Enterprise(s) assumed as a Controlling or Subordinate Company of the Company: None.

4. Industries Covered by Operations of Overall Affiliate Enterprises:

(1) Manufacturing, Processing, Assembly and Sales of Bicycles and Parts and Components Thereof.

(2) Manufacturing, Processing, Assembly and Sales of Electrical Power (Assist) Bicycles and Parts and Components Thereof.

(3) Design and Development of Bicycles, Brand Promotion and Cycling Team Management.

(4) Overseas Holding Company.

5. Information of Directors, Independent Directors and President of Individual Affiliated Enterprise:

Ending Date: December 31, 2022

Name of Enterprise	Titles	Name or Representative	Shares Held	Shareholding Ratio (%)
MERIDA & CENTURION GERMANY GmbH	Shareholder Managing Director Managing Director	MERIDA INDUSTRY CO., LTD. Renner Wolfgang Gerd Klose	No outstanding shares	51.00 49.00 -
MERIDA Europe GmbH	Shareholder President	MERIDA & CENTURION GERMANY GmbH Renner Wolfgang	No outstanding shares	100.00
MERIDA R&D Center GmbH	Shareholder President	MERIDA & CENTURION GERMANY GmbH Renner Wolfgang	No outstanding shares	100.00
MERIDA POLSKA SP.ZO.O	Shareholder President 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. Rep.: Zheng Wen-Xiang Peter Koperdraad	766,126 510,752	60.00 40.00
MERIDA BICYCLES Ltd.	Director Director & President	MERIDA INDUSTRY CO., LTD. Rep. : Zheng Wen-Xiang Christopher David Carter	481,763 110,729	81.31 18.69
MERIDA International (B.V.I) Ltd.	Shareholder Chairman Director Director	MERIDA INDUSTRY CO., LTD. MERIDA INDUSTRY CO., LTD. Rep. : Tseng Song-Zhu Tseng Shang-Yuan Liu Ming-Gen	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. Rep. : Tseng Song-Zhu Tseng Shang-Yuan Liu Ming-Gen	202,800,000	100.00
MERIDA International (SAMOA) Ltd.	Shareholder Shareholder Chairman Director Director Director Director Director	MERIDA International (B.V.I) Ltd. 1220 Company MERIDA International (B.V.I) Ltd. Rep.: Tseng Song-Zhu Tseng Shang-Yuan Tseng Gui-Su Liu Ming-Gen Michael Wayne Sinyard Edward Alan Mitchell	24,500,000 10,500,000	70.00 30.00
MERIDA Bicycle (CHINA) Co., Ltd.	Chairman Director Director Supervisor President	MERIDA Industry (H.K.) Co. Ltd.Rep. : Tseng Song-Zhu Tseng Shang-Yuan Lai Ru-Ding Liu Ming-Gen Tsai Wei-Sheng	No outstanding shares	100.00
MERIDA Bicycle (Shandong) Co., Ltd.	Chairman Director Director Supervisor President Domestic Sales Headquarters President	MERIDA Industry (H.K.) Co. Ltd. Rep.: Tseng Song-Zhu Tseng Shang-Yuan Lai Ru-Ding Liu Ming-Gen Tang Jia-Hung Chang Wen-Jie	No outstanding shares	100.00
MERIDA Bicycle (Jiangsu) Ltd.	Chairman Director Director Supervisor President	MERIDA International (SAMOA) Ltd. Rep. : Tseng Song-Zhu Tseng Shang-Yuan Chen Szu-Ru Liu Ming-Gen Lai Tong-Sha	No outstanding shares	100.00

MERIDA JAPAN CO., LTD.	Shareholder Shareholder Director & President Director Director Director Supervisor	MERIDA INDUSTRY CO., LTD. Employees Shinichiro Takatani Tseng Song-Zhu Zheng Wen-Xiang Tseng Shang-Yuan Saburo Fukuda	1,800 100 100	90.00 5.00 5.00
MIYATA CYCLE CO., LTD.	Shareholder Director & President Director Director Director Supervisor	MERIDA JAPAN CO., LTD. Shinichiro Takatani Tseng Song-Zhu Zheng Wen-Xiang Tseng Shang-Yuan Saburo Fukuda	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	MERIDA NORGE AS Jan Andreasson Stian Steen-Olsen Einar Steen-Olsen Margareth Steen-Olsen	10,000	100.00

(2) Operation Overview for the Affiliate Enterprises of the Company:

Unit: NT\$ thousand except for EPS in NT\$

Name of Affiliate Enterprise	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	203,880	3,731,582	2,226,540	1,505,042	3,395,376	216,860	154,784	No outstanding shares
MERIDA Europe GmbH	850	68,402	8,801	59,601	42,698	6,100	4,448	No outstanding shares
MERIDA R&D Center GmbH	850	25,145	9,786	15,359	64,502	2,157	1,550	No outstanding shares
MERIDA POLSKA SP.ZO.O	1,107	746,717	573,059	173,658	538,848	(17,089)	6,273	46,467.67
MERIDA BENELUX B.V.	113,533	417,950	338,106	79,844	390,566	32,429	35,065	27.46
MERIDA BICYCLES Ltd.	23,196	621,525	470,735	150,790	435,768	1,116	(13,818)	(23.32)
MERIDA International (B.V.I) Ltd.	1,304,963	2,593,252	0	2,593,252	0	(119)	689,878	16.23
MERIDA Industry (H.K.) Co. Ltd.	796,801	2,161,760	0	2,161,760	0	(3,129)	661,419	3.26
MERIDA International (SAMOA)Ltd.	1,074,675	533,595	0	533,595	0	(84)	39,784	1.14
MERIDA Bicycle (CHINA) Co., Ltd.	302,613	526,895	173,990	352,905	841,439	(5,683)	2,881	No outstanding shares
MERIDA Bicycle (Shandong) Co., Ltd.	513,511	2,555,774	809,686	1,746,088	5,772,979	859,986	657,720	No outstanding shares
MERIDA Bicycle (Jiangsu) Ltd.	949,000	1,692,879	1,207,394	485,485	2,864,592	69,983	38,902	No

								outstanding shares
MERIDA JAPAN CO., LTD.	21,720	457,004	362,621	94,383	439,676	27,064	24,623	12,311.56
MIYATA CYCLE CO., LTD.	6,516	8,519	22,582	(14,063)	42,806	(16,381)	(14,115)	(47,048.92)
MERIDA NORGE AS	83,572	343,645	190,202	153,443	330,123	10,143	5,990	22.69
MERIDA SVERIGE AB	3,080	36,190	19,475	16,715	157,072	3,302	1,782	178.16

(3) Statement on Consolidated Financial Report of Affiliated Enterprises: Please refer to Page 241

(4) Consolidated Financial Reports of Affiliated Enterprises: Please refer to Pages247-252

(5) Relationship Report: Not Applicable.

ii. Private Placement Securities in the Most Recent Year and up to the Date of Publication of the Annual Report: None.

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

iv. Other Necessary Supplements and Descriptions: None.

IX. Matters Prescribed under Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Occurred in the Most Recent Year and up to the Date of Publication of the Annual Report: None.

Merida Industry Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent corporation only financial statements of Merida Industry Co., Ltd. (the Corporation), which comprise the parent corporation only balance sheets as of December 31, 2023 and 2022, and the parent corporation only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent corporation only financial statements, including material accounting policy information (collectively referred to as the “parent corporation only 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 parent corporation only financial statements present fairly, in all material respects, the parent corporation only financial position of the Corporation as of December 31, 2023 and 2022, and its parent corporation only financial performance and its parent corporation only 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent corporation only Consolidated Financial Statements section of our report. We are independent of the Corporation 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent corporation only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent corporation only 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 parent corporation only financial statements for the year ended December 31, 2023 is as follows:

Revenue Recognition

The Corporation's sales revenue mainly comes from the manufacture and sales of bicycles, e-bikes, and bicycle components. Since revenue from the export sales of e-bikes for the year ended December 31, 2023 accounted for a significant proportion of sales revenue, recognition of export sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

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

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

Other Matter

We did not audit the part of the investments accounted for using the equity method that were evaluated in the parent corporation only financial statements, which is related to different financial reporting structures. This part has been reviewed by other accountants in accordance with different auditing standards. We have applied all necessary audit procedures on the conversion adjustments made to the financial statements of the Group, and in our opinion, such financial statements present fairly and are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS). In our opinion, the amounts relating to the abovementioned adjusted financial statements are based on the reports of other auditors and are the results of additional audit procedures performed in order to meet the relevant requirements of the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. The balance of the long-term investments accounted for using the equity method was NT\$18,653,865 thousand and NT\$18,650,181 thousand, accounting for 57% and 48% of the Group's consolidated total assets as of December 31, 2023 and 2022, respectively. The share of profit (loss) of associates was NT\$(711,238) thousand and NT\$640,985 thousand, accounting for (30)% and 15% of the Group's consolidated net income before tax for the years ended December 31, 2023 and 2022, respectively.

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

Management is responsible for the preparation and fair presentation of the parent corporation only 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 parent corporation only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent corporation only 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 parent corporation only Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent corporation only 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 parent corporation only 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 parent corporation only financial statements, including the disclosures, and whether the parent corporation only 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 parent corporation only 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 parent corporation only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2024

Notice to Readers

The accompanying parent corporation only 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 parent corporation only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent corporation only 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 parent corporation only financial statements shall prevail.

MERIDA INDUSTRY CO., LTD.

PARENT CORPORATION ONLY BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 1,970,162	6	\$ 3,806,629	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	204,951	1	502,705	1
Notes receivable (Notes 4 and 19)	7,154	-	159	-
Trade receivables (Notes 4, 8 and 19)	250,432	1	304,490	1
Trade receivables from related parties (Notes 4, 8, 19 and 25)	3,345,411	10	4,642,705	12
Other receivables (Notes 4 and 25)	235,612	1	163,005	1
Inventories (Notes 4 and 9)	3,049,587	9	5,570,946	14
Other current assets	18,824	-	138,470	-
Total current assets	9,082,133	28	15,129,109	39
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	92,620	-	92,620	-
Investments accounted for using the equity method (Notes 4 and 11)	22,372,342	68	22,393,347	57
Property, plant and equipment (Notes 4 and 12)	917,517	3	965,439	3
Right-of-use assets (Notes 4 and 13)	24,697	-	39,530	-
Intangible assets (Notes 4 and 14)	27,425	-	41,495	-
Deferred tax assets (Notes 4 and 21)	305,924	1	322,057	1
Prepayments for equipment	27,488	-	2,100	-
Net defined benefit assets - non-current (Notes 4 and 17)	19,129	-	-	-
Other non-current assets (Note 4)	6,384	-	5,124	-
Total non-current assets	23,793,526	72	23,861,712	61
TOTAL	\$ 32,875,659	100	\$ 38,990,821	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 15)	\$ 4,704,626	15	\$ 4,446,638	12
Contract liabilities - current (Notes 4, 19 and 25)	15,116	-	2,058,954	5
Trade payables	2,032,216	6	5,045,411	13
Trade payables to related parties (Note 25)	71,529	-	144,528	-
Other payables (Notes 16 and 25)	399,299	1	1,127,013	3
Current tax liabilities (Notes 4 and 21)	711,380	2	928,910	2
Lease liabilities - current (Notes 4 and 13)	21,517	-	19,867	-
Other current liabilities	10,393	-	4,370	-
Total current liabilities	7,966,076	24	13,775,691	35
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	4,344,688	14	4,453,152	12
Lease liabilities - non-current (Notes 4 and 13)	3,619	-	20,300	-
Net defined benefit liabilities (Notes 4 and 17)	-	-	103,937	-
Guarantee deposits received	-	-	1	-
Credit balance of investments accounted for using the equity method (Notes 4 and 11)	41,727	-	54,055	-
Total non-current liabilities	4,390,034	14	4,631,445	12
Total liabilities	12,356,110	38	18,407,136	47
EQUITY				
Ordinary shares	2,989,838	9	2,989,838	8
Capital surplus				
Share premium from issuance of ordinary shares	416,290	1	416,290	1
Changes in capital surplus from investments in associates accounted for using the equity method	213,862	1	-	-
Retained earnings				
Legal reserve	3,937,840	12	3,595,669	9
Special reserve	666,194	2	2,464,786	7
Unappropriated earnings	12,934,212	39	11,783,296	30
Other equity	(638,687)	(2)	(666,194)	(2)
Total equity	20,519,549	62	20,583,685	53
TOTAL	\$ 32,875,659	100	\$ 38,990,821	100

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

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

MERIDA INDUSTRY CO., LTD.

PARENT CORPORATION ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 19 and 25)	\$ 20,008,786	100	\$ 31,977,115	100
COST OF GOODS SOLD (Notes 9, 20 and 25)	<u>17,607,545</u>	<u>88</u>	<u>27,496,751</u>	<u>86</u>
GROSS PROFIT	2,401,241	12	4,480,364	14
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>311,441</u>	<u>2</u>	<u>(907,106)</u>	<u>(3)</u>
REALIZED GROSS PROFIT	<u>2,712,682</u>	<u>14</u>	<u>3,573,258</u>	<u>11</u>
OPERATING EXPENSES (Notes 20 and 25)				
Selling and marketing expenses	483,654	3	497,727	2
General and administrative expenses	<u>227,433</u>	<u>1</u>	<u>318,298</u>	<u>1</u>
Total operating expenses	<u>711,087</u>	<u>4</u>	<u>816,025</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>2,001,595</u>	<u>10</u>	<u>2,757,233</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 25)	104,640	1	31,877	-
Technical service and royalty income (Note 25)	188,972	1	121,290	1
Dividend income	2,476	-	2,015	-
Other income (Note 25)	63,959	-	81,645	-
Net foreign exchange gains (Notes 4 and 30)	28,840	-	361,381	1
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	14,225	-	72	-
Share of profit of subsidiaries and associates (Notes 4 and 11)	117,261	1	1,007,449	3
Interest expense	(96,230)	(1)	(33,368)	-
Other expenses (Note 20)	<u>(74,060)</u>	<u>-</u>	<u>(33,659)</u>	<u>-</u>
Total non-operating income and expenses	<u>350,083</u>	<u>2</u>	<u>1,538,702</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	2,351,678	12	4,295,935	13
INCOME TAX EXPENSE (Notes 4 and 21)	<u>659,855</u>	<u>4</u>	<u>906,872</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,691,823</u>	<u>8</u>	<u>3,389,063</u>	<u>10</u>

(Continued)

MERIDA INDUSTRY CO., LTD.

PARENT CORPORATION ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 123,565	1	\$ 55,986	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(15,291)	-	(12,139)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(12,715)	-	(11,197)	-
	<u>95,559</u>	<u>1</u>	<u>32,650</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	33,669	-	2,034,673	7
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(6,162)	-	(236,081)	(1)
	<u>27,507</u>	<u>-</u>	<u>1,798,592</u>	<u>6</u>
Other comprehensive income (loss) for the year, net of income tax	<u>123,066</u>	<u>1</u>	<u>1,831,242</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,814,889</u>	<u>9</u>	<u>\$ 5,220,305</u>	<u>16</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 5.66</u>		<u>\$ 11.34</u>	
Diluted	<u>\$ 5.64</u>		<u>\$ 11.26</u>	

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD.

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

	Capital Surplus (Note 18)			Retained Earnings (Note 18)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares (Note 18)	Share Premium from Issuance of Ordinary Shares	Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	\$ 2,989,838	\$ 416,290	\$ -	\$ 3,135,227	\$ 1,674,362	\$ 12,004,319	\$ (2,464,786)	\$ 17,755,250
Appropriation of 2021 earnings								
Legal reserve	-	-	-	460,442	-	(460,442)	-	-
Special reserve	-	-	-	-	790,424	(790,424)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,391,870)	-	(2,391,870)
Net profit for the year ended December 31, 2022	-	-	-	-	-	3,389,063	-	3,389,063
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	32,650	1,798,592	1,831,242
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	3,421,713	1,798,592	5,220,305
BALANCE AT DECEMBER 31, 2022	2,989,838	416,290	-	3,595,669	2,464,786	11,783,296	(666,194)	20,583,685
Appropriation of 2022 earnings								
Legal reserve	-	-	-	342,171	-	(342,171)	-	-
Reversal of special reserve	-	-	-	-	(1,798,592)	1,798,592	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,092,887)	-	(2,092,887)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	213,862	-	-	-	-	213,862
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,691,823	-	1,691,823
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	95,559	27,507	123,066
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,787,382	27,507	1,814,889
BALANCE AT DECEMBER 31, 2023	\$ 2,989,838	\$ 416,290	\$ 213,862	\$ 3,937,840	\$ 666,194	\$ 12,934,212	\$ (638,687)	\$ 20,519,549

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

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

MERIDA INDUSTRY CO., LTD.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,351,678	\$ 4,295,935
Adjustments for:		
Depreciation expenses	110,564	105,971
Amortization expenses	15,303	13,123
Expected credit loss recognized (reversed) on trade receivables	(839)	2,529
Net gain on fair value changes of financial assets at fair value through profit or loss	(14,225)	(72)
Interest expense	96,230	33,368
Interest income	(104,640)	(31,877)
Dividend income	(2,476)	(2,015)
Share of profit of subsidiaries and associates	(117,261)	(1,007,449)
Loss on disposal of property, plant and equipment	61	-
Gain on disposal of investment properties	-	(18,546)
Write-down (reversal) of inventories	(12,174)	51,199
Unrealized (realized) gain on transactions with associates	(311,441)	907,106
Unrealized net loss on foreign currency exchange	77,572	9,740
Gain on lease modification	-	(3)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	311,979	142,005
Notes receivable	(6,995)	16,537
Trade receivables	1,254,496	(3,193,474)
Other receivables	(67,808)	(51,593)
Inventories	2,533,533	(410,878)
Other current assets	119,646	404,818
Contract liabilities	(2,043,838)	(354,985)
Notes and trade payables	(3,066,197)	1,179,604
Other payables	(728,268)	326,422
Other current liabilities	6,023	(10,501)
Net defined benefit liabilities	499	(714)
Cash generated from operations	401,422	2,406,250
Interest received	99,841	12,922
Dividends received	664,081	468,496
Interest paid	(95,676)	(28,897)
Income tax paid	(982,431)	(398,959)
Net cash generated from operating activities	<u>87,237</u>	<u>2,459,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of investments accounted for using the equity method	1,852	-
Acquisition of property, plant and equipment	(41,806)	(46,438)
Increase in refundable deposits	(1,260)	(733)
Payments for intangible assets	(1,233)	(137)
Payments for right-of-use assets	-	(700)

(Continued)

MERIDA INDUSTRY CO., LTD.

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

	2023	2022
Proceeds from disposal of investment properties	\$ -	\$ 52,971
Increase in prepayments for equipment	<u>(25,388)</u>	<u>(22,259)</u>
Net cash used in investing activities	<u>(67,835)</u>	<u>(17,296)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	258,114	2,271,654
Refund of guarantee deposits received	(1)	(266)
Repayment of the principal portion of lease liabilities	(21,095)	(17,882)
Dividends paid to owners of the Corporation	<u>(2,092,887)</u>	<u>(2,391,870)</u>
Net cash used in financing activities	<u>(1,855,869)</u>	<u>(138,364)</u>
NET INCREASE (DECREASE) IN CASH	(1,836,467)	2,304,152
CASH AT THE BEGINNING OF THE YEAR	<u>3,806,629</u>	<u>1,502,477</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,970,162</u>	<u>\$ 3,806,629</u>

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD.

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF PARENT CORPORATION ONLY FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

New IFRS Accounting Standards	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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

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

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

When preparing these parent corporation 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 corporation 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 corporation 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 corporation 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 parent corporation only 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 parent corporation only financial statements, assets and liabilities of the 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 in subsidiaries

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

A subsidiary is an 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 corporation only financial statements. Profit and losses resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent corporation only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investments in associates

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

The Corporation 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 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 parent corporation only financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. 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.

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. 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.

k. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains or losses. Fair value is determined in the manner described in Note 24.

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The 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.

n. 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.

o. 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.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

When the Corporation develops material accounting estimates, the estimates and underlying assumptions on an ongoing basis.

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

6. CASH

	December 31	
	2023	2022
Cash on hand	\$ 266	\$ 280
Checking accounts and demand deposits	<u>1,969,896</u>	<u>3,806,349</u>
	<u>\$ 1,970,162</u>	<u>\$ 3,806,629</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Trade receivables	\$ 3,599,691	\$ 4,951,882
Less: Allowance for impairment loss	<u>(3,848)</u>	<u>(4,687)</u>
	<u>\$ 3,595,843</u>	<u>\$ 4,947,195</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 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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. The Corporation determines the expected credit loss rate by reference to the past due days of trade receivables.

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, 2023

	Not Past Due	Past Due Within 3 Months	Total
Expected credit loss rate	0%-0.5%	3%	
Gross carrying amount	\$ 3,285,525	\$ 314,166	\$ 3,599,691
Loss allowance (Lifetime ECLs)	<u>(3,526)</u>	<u>(322)</u>	<u>(3,848)</u>
Amortized cost	<u>\$ 3,281,999</u>	<u>\$ 313,844</u>	<u>\$ 3,595,843</u>

December 31, 2022

	Not Past Due	Past Due Within 3 Months	Total
Expected credit loss rate	0%-0.5%	3%	
Gross carrying amount	\$ 4,852,766	\$ 99,116	\$ 4,951,882
Loss allowance (Lifetime ECLs)	<u>(3,433)</u>	<u>(1,254)</u>	<u>(4,687)</u>
Amortized cost	<u>\$ 4,849,333</u>	<u>\$ 97,862</u>	<u>\$ 4,947,195</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance at January 1	\$ 4,687	\$ 2,158
Net (reversal of) remeasurement of loss allowance	<u>(839)</u>	<u>2,529</u>
Balance at December 31	<u>\$ 3,848</u>	<u>\$ 4,687</u>

9. INVENTORIES

	<u>December 31</u>	
	2023	2022
Finished goods	\$ 798,797	\$ 854,905
Work in progress	173,054	171,889
Raw materials	1,980,900	4,446,414
Inventory in transit	<u>96,836</u>	<u>97,738</u>
	<u>\$ 3,049,587</u>	<u>\$ 5,570,946</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$17,607,545 thousand and \$27,496,751 thousand, respectively. The cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-downs (reversals of) of \$(12,174) thousand and \$51,199 thousand, respectively. Previous write-downs were reversed because slow moving inventories were sold.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Financial assets - 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.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2023	2022
Investments in subsidiaries	\$ 3,416,970	\$ 3,473,489
Investments in associates	<u>18,955,372</u>	<u>18,919,858</u>
	<u>\$ 22,372,342</u>	<u>\$ 22,393,347</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	2023	2022
<u>Unlisted shares</u>		
Merida International (B.V.I) Ltd. ("Merida B.V.I.")	\$ 2,592,971	\$ 2,605,289
Merida & Centurion Germany GmbH ("Merida & Centurion")	497,793	555,381
Merida Norge A.S. ("Merida Norge")	98,282	86,048
Merida Polska Sp.z.o.o ("Merida Polska")	102,030	65,200
Merida Japan Co., Ltd ("Merida Japan")	42,742	52,812
Merida Bicycles Ltd. ("Merida U.K.")	<u>83,152</u>	<u>108,759</u>
	<u>\$ 3,416,970</u>	<u>\$ 3,473,489</u>
<u>Credit Balance of Investments Accounted for Using the Equity Method</u>		
Merida Benelux B.V. ("Merida Benelux")	<u>\$ 41,727</u>	<u>\$ 54,055</u>

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

	December 31	
	2023	2022
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%

Refer to Table 6 “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	
	2023	2022
<u>Unlisted shares</u>		
Specialized Bicycle Components Holding Company, Inc. (“SBC”)	\$ 18,653,865	\$ 18,650,181
SAIL & SURF Produktion-und Handelsgesellschaft m.b.H. (“SAIL & SURF”)	125,431	121,710
Merida Bikes SWE, S.A (“Merida Bikes SWE”)	56,483	34,356
Merida Czech s.r.o (“Merida Czech”)	56,433	56,395
Merida Slovakia s.r.o (“Merida Slovakia”)	26,739	26,453
Merida Korea Inc. (“Merida Korea”)	13,190	7,000
WideDoctor (International) Enterprise Co., Ltd. (“WideDoctor”)	-	1,866
Merida Italy S.r.a (“Merida Italy”)	<u>23,231</u>	<u>21,897</u>
	<u>\$ 18,955,372</u>	<u>\$ 18,919,858</u>

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

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

Refer to Table 6 “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 shareholders resolved in their meeting to liquidate WideDoctor in October 2022, and the liquidation was completed in June 2023, resulting in a return of the capital investment of \$1,852 thousand.

The aggregate financial information of associates is as follows:

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

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2023					
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Total
<u>Cost</u>						
Balance at January 1	\$ 478,692	\$ 651,189	\$ 284,067	\$ 1,575	\$ 102,923	\$1,518,446
Additions	-	-	14,666	-	27,140	41,806
Disposals	<u>-</u>	<u>-</u>	<u>(11,720)</u>	<u>(607)</u>	<u>(36,563)</u>	<u>(48,890)</u>
Balance at December 31	<u>\$ 478,692</u>	<u>\$ 651,189</u>	<u>\$ 287,013</u>	<u>\$ 968</u>	<u>\$ 93,500</u>	<u>\$1,511,362</u>
<u>Accumulated depreciation</u>						
Balance at January 1	\$ -	\$ 348,895	\$ 160,712	\$ 1,132	\$ 42,268	\$ 553,007
Additions	-	15,046	35,290	274	39,057	89,667
Disposals	<u>-</u>	<u>-</u>	<u>(11,720)</u>	<u>(607)</u>	<u>(36,502)</u>	<u>(48,829)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 363,941</u>	<u>\$ 184,282</u>	<u>\$ 799</u>	<u>\$ 44,823</u>	<u>\$ 593,845</u>
Carrying amount at December 31	<u>\$ 478,692</u>	<u>\$ 287,248</u>	<u>\$ 102,731</u>	<u>\$ 169</u>	<u>\$ 48,677</u>	<u>\$ 917,517</u>
	For the Year Ended December 31, 2022					
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Total
<u>Cost</u>						
Balance at January 1	\$ 475,240	\$ 651,189	\$ 287,941	\$ 1,575	\$ 59,306	\$1,475,251
Additions	-	-	1,395	-	45,043	46,438
Disposals	-	-	(22,304)	-	(14,892)	(37,196)
Reclassifications	<u>3,452</u>	<u>-</u>	<u>17,035</u>	<u>-</u>	<u>13,466</u>	<u>33,953</u>
Balance at December 31	<u>\$ 478,692</u>	<u>\$ 651,189</u>	<u>\$ 284,067</u>	<u>\$ 1,575</u>	<u>\$ 102,923</u>	<u>\$1,518,446</u>
<u>Accumulated depreciation</u>						
Balance at January 1	\$ -	\$ 332,777	\$ 146,830	\$ 817	\$ 23,403	\$ 503,827
Additions	-	16,118	36,186	315	33,757	86,376
Disposals	<u>-</u>	<u>-</u>	<u>(22,304)</u>	<u>-</u>	<u>(14,892)</u>	<u>(37,196)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 348,895</u>	<u>\$ 160,712</u>	<u>\$ 1,132</u>	<u>\$ 42,268</u>	<u>\$ 553,007</u>
Carrying amount at December 31	<u>\$ 478,692</u>	<u>\$ 302,294</u>	<u>\$ 123,355</u>	<u>\$ 443</u>	<u>\$ 60,655</u>	<u>\$ 965,439</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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land	\$ 963	\$ 1,979
Buildings	16,418	32,837
Transportation equipment	<u>7,316</u>	<u>4,714</u>
	<u>\$ 24,697</u>	<u>\$ 39,530</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 6,064</u>	<u>\$ 56,756</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,016	\$ 1,016
Buildings	16,418	16,463
Transportation equipment	<u>3,463</u>	<u>1,802</u>
	<u>\$ 20,897</u>	<u>\$ 19,281</u>

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

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 21,517</u>	<u>\$ 19,867</u>
Non-current	<u>\$ 3,619</u>	<u>\$ 20,300</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.15%	1.15%
Buildings	1.15%	1.15%
Transportation equipment	1.04%-1.475%	1.04%

c. Material lease activities and terms

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	
	2023	2022
Expenses relating to short-term leases	<u>\$ 3,712</u>	<u>\$ 3,806</u>
Expenses relating to low-value asset leases	<u>\$ 154</u>	<u>\$ 154</u>
Total cash outflow for leases	<u>\$ (24,961)</u>	<u>\$ (21,842)</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.

14. INTANGIBLE ASSETS

	For the Year Ended December 31	
	2023	2022
<u>Cost</u>		
Balance at January 1	\$ 58,413	\$ 16,997
Additions	<u>1,233</u>	<u>41,416</u>
Balance at December 31	<u>\$ 59,646</u>	<u>\$ 58,413</u>
<u>Accumulated amortization</u>		
Balance at January 1	\$ 16,918	\$ 3,795
Amortization expenses	<u>15,303</u>	<u>13,123</u>
Balance at December 31	<u>\$ 32,221</u>	<u>\$ 16,918</u>
Carrying amount at January 1	<u>\$ 41,495</u>	<u>\$ 13,202</u>
Carrying amount at December 31	<u>\$ 27,425</u>	<u>\$ 41,495</u>

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

Computer software	3-5 years
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15. SHORT-TERM BANK BORROWINGS

	<u>December 31</u>	
	2023	2022
Unsecured borrowings	\$ 4,650,000	\$ 3,900,000
Letters of credit - due after 180 days of acceptance	<u>54,626</u>	<u>546,638</u>
	<u>\$ 4,704,626</u>	<u>\$ 4,446,638</u>
 <u>Rate of interest per annum (%)</u>		
Unsecured borrowings	1.56-1.86	1.30-1.60
Letters of credit	No higher than 0.42	No higher than 5.82

16. OTHER PAYABLES

	<u>December 31</u>	
	2023	2022
Payables for compensation of employees	\$ 154,377	\$ 282,009
Payables for salaries and bonuses	96,832	126,195
Payables for remuneration of directors	66,897	122,204
Others	<u>81,193</u>	<u>596,605</u>
	<u>\$ 399,299</u>	<u>\$ 1,127,013</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

18. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to Note 20(b) employees' compensation and remuneration of directors.

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

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

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

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

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

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

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

19. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 20,008,786</u>	<u>\$ 31,977,115</u>

a. Contract balances

	<u>December 31,</u>	<u>December 31,</u>	<u>January 1,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Notes and trade receivables	<u>\$ 3,602,997</u>	<u>\$ 4,947,354</u>	<u>\$ 1,777,927</u>
Contract liabilities - current	<u>\$ 15,116</u>	<u>\$ 2,058,954</u>	<u>\$ 2,413,939</u>

b. Disaggregation of revenue

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

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Non-Operating Expenses	Total
<u>For the Year Ended December 31, 2023</u>				
Short-term employee benefits				
Salary expenses	\$ 623,574	\$ 164,712	\$ 13,702	\$ 801,988
Labor and health insurance costs	67,645	11,733	2,433	81,811
Post-employment benefits				
Defined contribution plan	19,874	2,632	915	23,421
Defined benefit plans	4,140	1,443	31	5,614
Remuneration of directors	-	72,002	-	72,002
Other employee benefits	25,234	2,036	238	27,508
Depreciation expenses	89,015	21,549	-	110,564
Amortization expenses	-	15,303	-	15,303
<u>For the Year Ended December 31, 2022</u>				
Short-term employee benefits				
Salary expenses	929,003	232,713	18,351	1,180,067
Labor and health insurance costs	70,495	13,675	2,479	86,649
Post-employment benefits				
Defined contribution plan	19,109	2,491	912	22,512
Defined benefit plans	5,403	1,701	89	7,193
Remuneration of directors	-	127,224	-	127,224
Other employee benefits	45,105	3,543	376	49,024
Depreciation expenses	89,022	16,635	314	105,971
Amortization expenses	-	13,123	-	13,123

- 1) As of December 31, 2023 and 2022, the Corporation had 1,253 and 1,299 employees, respectively. Among them, the number of directors not concurrently serving as employees is 6 and 7, respectively, the basis of calculation is the same as employee benefits expenses.
- 2) The average employee benefits expense was NT\$754 thousand and NT\$1,041 thousand for the years ended December 31, 2023 and 2022, respectively.
- 3) The average employee salary expense was NT\$643 thousand and NT\$913 thousand for the years ended December 31, 2023 and 2022, respectively.
- 4) Average employee salary expenses decreased by 29.6%.
- 5) The Corporation does not have supervisors.
- 6) 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.

b. Employees' compensation and remuneration of directors

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

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

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

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

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

21. TAXES

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

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 572,119	\$ 950,838
Income tax on unappropriated earnings	139,262	48,084
Adjustments for prior years	<u>53,520</u>	<u>-</u>
	<u>764,901</u>	<u>998,922</u>
Deferred tax		
In respect of the current year	<u>(105,046)</u>	<u>(92,050)</u>
Income tax expense recognized in profit or loss	<u>\$ 659,855</u>	<u>\$ 906,872</u>

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

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 470,336	\$ 859,187
Nondeductible expenses in determining taxable income	77	18
Tax-exempt income	(3,340)	(417)
Income tax on unappropriated earnings	139,262	48,084
Adjustments for prior years' tax	<u>53,520</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 659,855</u>	<u>\$ 906,872</u>

b. Current tax liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	\$ <u>711,380</u>	\$ <u>928,910</u>

c. Changes in deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 259,955	\$ (62,289)	\$ -	\$ 197,666
Defined benefit obligations	17,565	(10)	(12,715)	4,840
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized loss on inventories	25,018	46,624	-	71,642
Unrealized foreign currency exchange losses	<u>7,021</u>	<u>12,257</u>	<u>-</u>	<u>19,278</u>
	<u>\$ 322,057</u>	<u>\$ (3,418)</u>	<u>\$ (12,715)</u>	<u>\$ 305,924</u>

Deferred tax liabilities

Temporary differences				
Investments accounted for using the equity method	\$ 4,352,218	\$ (108,464)	\$ -	\$ 4,243,754
Reserve for land revaluation increment tax	<u>100,934</u>	<u>-</u>	<u>-</u>	<u>100,934</u>
	<u>\$ 4,453,152</u>	<u>\$ (108,464)</u>	<u>\$ -</u>	<u>\$ 4,344,688</u>

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized intercompany profit	\$ 78,533	\$ 181,422	\$ -	\$ 259,955
Defined benefit obligations	29,022	(260)	(11,197)	17,565
Unrealized impairment loss on assets	12,498	-	-	12,498
Unrealized loss on inventories	14,779	10,239	-	25,018
Unrealized foreign currency exchange losses	<u>-</u>	<u>7,021</u>	<u>-</u>	<u>7,021</u>
	<u>\$ 134,832</u>	<u>\$ 198,422</u>	<u>\$ (11,197)</u>	<u>\$ 322,057</u>

(Continued)

For the Year Ended December 31, 2022

	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	\$ 4,244,025	\$ 108,193	\$ -	\$ 4,352,218
Reserve for land revaluation increment tax	100,934	-	-	100,934
Unrealized foreign currency exchange gains	<u>1,821</u>	<u>(1,821)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,346,780</u>	<u>\$ 106,372</u>	<u>\$ -</u>	<u>\$ 4,453,152</u> (Concluded)

d. Income tax assessments

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

22. EARNINGS PER SHARE

	Net Profit	Number of Shares	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2023</u>			
Basic earnings per share			
Net profit for the year	\$ 1,691,823	298,983,800	<u>\$ 5.66</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>1,248,217</u>	
Diluted earnings per share			
Net profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 1,691,823</u>	<u>300,232,017</u>	<u>\$ 5.64</u>
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Net profit for the year	\$ 3,389,063	298,983,800	<u>\$ 11.34</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>2,025,208</u>	
Diluted earnings per share			
Net profit for the year plus effect of potentially dilutive ordinary shares	<u>\$ 3,389,063</u>	<u>301,009,008</u>	<u>\$ 11.26</u>

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

23. 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.

24. 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

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 years.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 204,951	\$ 502,705
Financial assets at amortized cost	5,815,155	8,922,112
Financial assets at FVTOCI - equity instruments	92,620	92,620
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	7,207,670	10,763,591

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, borrowings, and lease liabilities. The Corporation'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 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 expose 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 30.

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, 2023 and 2022 would have decreased by \$31,288 thousand and \$53,939 thousand, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates was 1% for the years ended December 31, 2023 and 2022.

ii. Interest rate risk

The 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 were as follows.

	December 31	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 1,425,136	\$ 1,217,959
Cash flow interest rate risk		
Financial assets	1,969,896	3,806,349
Financial liabilities	3,304,626	3,268,846

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, 2023 and 2022 would have decreased by \$3,337 thousand and increased by \$1,344 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 49% and 67% of the total trade receivables as of December 31, 2023 and 2022, 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, 2023 and 2022, the Corporation had available unutilized bank loan facilities of \$10,878,249 thousand and \$7,676,677 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	2-5 Years
<u>December 31, 2023</u>			
Non-interest bearing	\$ 2,503,044	\$ -	\$ -
Lease liabilities	21,680	2,859	789
Variable interest rate liabilities	3,304,626	-	-
Fixed interest rate liabilities	1,400,000	-	-
Financial guarantee contracts	<u>669,308</u>	<u>302,099</u>	<u>786,237</u>
	<u>\$ 7,898,658</u>	<u>\$ 304,958</u>	<u>\$ 787,026</u>
<u>December 31, 2022</u>			
Non-interest bearing	\$ 6,316,952	\$ -	\$ -
Lease liabilities	20,198	19,615	794
Variable interest rate liabilities	3,268,846	-	-
Fixed interest rate liabilities	1,177,792	-	-
Financial guarantee contracts	<u>309,247</u>	<u>203,155</u>	<u>921,177</u>
	<u>\$ 11,093,035</u>	<u>\$ 222,770</u>	<u>\$ 921,971</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.

25. 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 B.V.I.	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

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Merida Japan	Subsidiary
Miyata Cycle Co. Ltd., (“Miyata”)	Subsidiary
Merida Norge	Subsidiary
Merida Sverige AB (“Sverige”)	Subsidiary
SBC Group	Associate
SAIL & SURF	Associate
Merida Bikes SWE	Associate
Merida Czech	Associate
Merida Slovakia	Associate
Merida Korea	Associate
Merida Italy	Associate
Rai Bi Bicycle Co., Ltd. (“Rai Bi”)	Other
Cheng Shin Rubber Industry Co., Ltd. (“Cheng Shin”)	Other
Cheng Shin Rubber (Xiamen) Ind., Ltd. (“Cheng Shin (Xiamen)”)	Other
Tianjin Ta Feng Rubber Industry Co., Ltd. (“Tianjin Ta Feng”)	Other
Cheng Shin Rubber (Vietnam) Ind., Ltd. (“Cheng Shin (Vietnam)”)	Other

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	\$ 13,012,660	\$ 25,310,245
Others	<u>1,254,780</u>	<u>1,307,323</u>
	14,267,440	26,617,568
Subsidiaries	<u>4,382,077</u>	<u>3,706,405</u>
	<u>\$ 18,649,517</u>	<u>\$ 30,323,973</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	
	2023	2022
Subsidiaries	\$ 1,160,212	\$ 1,156,111
Others related parties	106,012	112,183
Associates	<u>38,807</u>	<u>-</u>
	<u>\$ 1,305,031</u>	<u>\$ 1,268,294</u>

The purchase price is quoted based on market prices.

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

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	\$ 409,457	\$ _____ -

It is the subsidy amount from associates.

e. Contract liabilities - advance receipts

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

f. Receivables from related parties

Related Party Category/Name	December 31	
	2023	2022
<u>Trade receivables</u>		
Associates		
SBC Group	\$ 1,106,418	\$ 2,564,884
Others	455,579	413,682
	<u>1,561,997</u>	<u>2,978,566</u>
Subsidiaries		
Merida & Centurion	670,973	755,148
Merida Polska	377,152	293,561
Others	735,289	615,430
	<u>1,783,414</u>	<u>1,664,139</u>
	<u>\$ 3,345,411</u>	<u>\$ 4,642,705</u>
<u>Other receivables</u>		
Subsidiaries		
Merida Shandong	\$ 137,440	\$ 90,984
Others	35,342	26,584
	<u>172,782</u>	<u>117,568</u>
Associates		
SBC Group	6,115	22,158
Others	2,514	1,855
	<u>8,629</u>	<u>24,013</u>
	<u>\$ 181,411</u>	<u>\$ 141,581</u>

g. Loans to related parties

Related Party Category/Name	December 31	
	2023	2022
<u>Other receivables</u>		
Subsidiaries		
Merida Benelux	\$ 43,843	\$ -

h. Payables to related parties

Related Party Category	December 31	
	2023	2022
<u>Trade payables</u>		
Subsidiaries	\$ 30,807	\$ 115,574
Other related parties	22,684	28,954
Associates	<u>18,038</u>	<u>-</u>
	<u>\$ 71,529</u>	<u>\$ 144,528</u>

i. Loans from related parties

Related Party Category/Name	December 31	
	2023	2022
<u>Other payables</u>		
Subsidiaries		
Merida Hong Kong	\$ -	\$ 460,650

j. 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	
	2023	2022
Subsidiaries	\$ 161,604	\$ 135,402

2) Interest income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Subsidiaries		
Merida & Centurion	\$ 16,451	\$ 10,277
Merida Benelux	4,258	5,339
Merida Norge	3,453	3,633
Others	<u>1,425</u>	<u>315</u>
	<u>25,587</u>	<u>19,564</u>

(Continued)

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	\$ 40,336	\$ 76
Others	<u>8,877</u>	<u>2,172</u>
	<u>49,213</u>	<u>2,248</u>
	<u>\$ 74,800</u>	<u>\$ 21,812</u>
		(Concluded)

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

3) Technical service and royalty income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Subsidiaries		
Merida Shandong	\$ 164,007	\$ 107,411
Merida Jiangsu	16,330	10,035
Merida China	<u>8,635</u>	<u>3,844</u>
	<u>\$ 188,972</u>	<u>\$ 121,290</u>

The Corporation entered into trademark licensing contracts with Merida China, Merida Jiangsu 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.

4) Other income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates		
SBC Group	\$ 23,338	\$ 60,028
Others	<u>-</u>	<u>26</u>
	<u>23,338</u>	<u>60,054</u>
Subsidiaries	250	12
Other related parties	<u>-</u>	<u>1</u>
	<u>\$ 23,588</u>	<u>\$ 60,067</u>

k. Endorsements and guarantees

Related Party Category	Item Endorsed	Amount Endorsed
<u>December 31, 2023</u>		
Subsidiaries	Standby letter of credit	EUR 3,000
	Standby letter of credit	USD 1,000
	Bank borrowings	EUR 22,100
	Bank borrowings	GBP 6,000
	Bank borrowings	RMB380,000
<u>December 31, 2022</u>		
Subsidiaries	Standby letter of credit	EUR 3,000
	Bank borrowings	EUR 24,500
	Bank borrowings	GBP 6,000
	Bank borrowings	RMB310,000

Refer to Table 2 “Financing provided to others” for the actual amount borrowed by the subsidiaries.

l. Remuneration of key management personnel

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

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

No such incident.

27. 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, 2023 and 2022 were as follows:

- a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials amounted to approximately \$87,096 thousand and \$192,122 thousand, respectively.
- b. Unrecognized commitments are as follows:

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

c. Product liability insurance

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

28. SIGNIFICANT LOSSES FROM DISASTERS

No such incident.

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such incident.

30. 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, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 120,694	30.705	\$ 3,705,909	\$ 223,521	30.710	\$ 6,864,330
JPY	658,308	0.2172	142,984	797,444	0.2324	185,326
Non-monetary items						
Investments						
accounted for using the equity method						
USD	692,387	30.705	21,259,743	709,327	30.710	21,783,432
EUR	30,914	33.98	1,050,458	27,306	32.72	893,452
JPY	274,185	0.2172	59,553	230,868	0.2324	53,654
POL	15,689	8.1991	128,636	15,063	6.9193	104,225
<u>Financial liabilities</u>						
Monetary items						
USD	18,796	30.705	577,131	47,882	30.710	1,470,456
JPY	1,602,266	0.2172	348,012	3,353,503	0.2324	779,354

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

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange (Losses) Gains	Exchange Rate	Net Foreign Exchange Gains
USD	31.155	\$ (47,648)	29.805	\$ 349,081
JPY	0.2221	69,668	0.2275	837
EUR	33.7	<u>6,529</u>	31.36	<u>2,043</u>
		<u>\$ 28,549</u>		<u>\$ 351,961</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments.

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

- 10) Information on investees. (Table 6)

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 7)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 4)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 4)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes. (Table 2)
 - e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: list 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 8)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	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 Benelux	Other receivables from related parties	Yes	\$ 44,166	\$ 43,843	\$ 43,843	5	For short-term financing needs	\$ -	Operating capital	\$ -	-	\$ -	\$ 8,207,820 (Note 1)	\$ 10,259,775 (Note 2)
1	Merida Shandong	Merida Jiangsu	Other receivables from related parties	Yes	RMB 80,000	RMB 80,000	-	2.325	For short-term financing needs	-	Operating capital	-	-	-	RMB 161,413 (Note 3)	RMB 161,413 (Note 3)
2	Merida Hong Kong	The Corporation	Other receivables from related parties	Yes	USD 17,000	USD 17,000	-	-	For short-term financing needs	-	Operating capital	-	-	-	HKD 220,082 (Note 4)	HKD 220,082 (Note 4)

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

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)
The Corporation	<u>Mutual funds</u> Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	14,281	\$ 151,751	-	\$ 151,751
	<u>Share capital</u> Leechi Enterprises Co., Ltd.	-	Financial assets at FVTPL - current	113	1,753	-	1,753
	Cheng Shin	The Corporation's chairman is their director	Financial assets at FVTPL - current	1,146	51,447	-	51,447
	Merida Benelux	-	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 24 for information on the fair values.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group	Associate	Sales	\$ (13,012,660)	(65)	O/A 60 days	\$ -	-	\$ 1,106,418	31	
	Merida & Centurion	Subsidiary	Sales	(1,910,059)	(10)	T/T 14 days or O/A 150 days	-	-	670,973	19	
	Merida Jiangsu	Third-tier subsidiary	Sales	(809,099)	(4)	O/A 90 days	-	-	178,906	5	
	Merida U.K.	Subsidiary	Sales	(522,772)	(3)	O/A 60 days	-	-	105,886	3	
	Merida Korea	Associate	Sales	(345,898)	(2)	T/T 14 days or O/A 120 days	-	-	70,304	2	
	Merida Benelux	Subsidiary	Sales	(331,173)	(2)	O/A 180 days	-	-	173,753	5	
	Merida Japan	Subsidiary	Sales	(307,199)	(2)	O/A 120 days	-	-	132,436	4	
	SAIL & SURF	Associate	Sales	(290,240)	(1)	T/T 14 days or O/A 180 days	-	-	103,619	3	
	Merida Norge	Subsidiary	Sales	(282,291)	(1)	T/T 14 days or O/A 120 days	-	-	136,265	4	
	Merida Italy	Associate	Sales	(214,582)	(1)	O/A 90 days	-	-	156,835	4	
	Merida Bikes SWE	Associate	Sales	(167,460)	(1)	T/T 14 days or O/A 120 days	-	-	52,857	1	
	Merida Czech	Associate	Sales	(163,353)	(1)	T/T 14 days or O/A 150 days	-	-	59,970	2	
	Merida Polska	Subsidiary	Sales	(132,788)	(1)	O/A 150 days	-	-	377,152	10	
	Merida Jiangsu	Third-tier subsidiary	Purchases	685,783	5	T/T 30 days	-	-	-	-	
	Merida China	Third-tier subsidiary	Purchases	442,066	3	T/T 90 days	-	-	(30,807)	(1)	
Merida Jiangsu	Merida Shandong	Associate	Sales	RMB (443,143)	(68)	T/T 90 days	-	-	RMB 25,872	88	

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

Note : Not applicable.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2023 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Merida China	Manufacture and sale of bicycles	\$ 377,057 (USD 12,280)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	\$ 340,426 (USD 11,087)	\$ -	\$ -	\$ 340,426 (USD 11,087)	\$ 2,881	100	\$ 2,881	\$ 353,017	\$ 1,921,120 (USD 62,567)
Merida Shandong	Manufacture and sale of e-bikes and bicycles	491,280 (USD 16,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	491,280 (USD 16,000)	-	-	491,280 (USD 16,000)	657,720	100	657,720	1,746,642	994,688 (USD 32,395)
Merida Jiangsu	Manufacture and sale of bicycles	1,074,675 (USD 35,000)	The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China	506,663 (USD 16,500)	-	-	506,663 (USD 16,500)	38,902	70	27,231	340,511	-

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

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

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

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

TABLE 8**MERIDA INDUSTRY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the parent corporation only 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, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

MERIDA INDUSTRY CO., LTD.

By:

Michael S. T. Tseng
President

March 14, 2024

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Merida Industry Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is as follows:

Revenue Recognition

The Group's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. Since revenue from the export sales of e-bikes for the year ended December 31, 2023 accounted for a significant proportion of sales revenue, recognition of export sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

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

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

Other Matter

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

We have also audited the parent company only financial statements of Merida Industry Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical

requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2024

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 123,565	-	\$ 55,986	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(15,291)	-	(12,139)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(12,715)	-	(11,197)	-
	<u>95,559</u>	<u>-</u>	<u>32,650</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	67,898	-	2,066,927	6
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(6,162)	-	(236,081)	(1)
	<u>61,736</u>	<u>-</u>	<u>1,830,846</u>	<u>5</u>
Other comprehensive income (loss) for the year, net of income tax	<u>157,295</u>	<u>-</u>	<u>1,863,496</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,956,057</u>	<u>7</u>	<u>\$ 5,317,914</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,691,823	6	\$ 3,389,063	9
Non-controlling interests	<u>106,939</u>	<u>1</u>	<u>65,355</u>	<u>-</u>
	<u>\$ 1,798,762</u>	<u>7</u>	<u>\$ 3,454,418</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,814,889	7	\$ 5,220,305	14
Non-controlling interests	<u>141,168</u>	<u>-</u>	<u>97,609</u>	<u>-</u>
	<u>\$ 1,956,057</u>	<u>7</u>	<u>\$ 5,317,914</u>	<u>14</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 5.66</u>		<u>\$ 11.34</u>	
Diluted	<u>\$ 5.64</u>		<u>\$ 11.26</u>	

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation									
	Ordinary Shares (Note 19)	Capital Surplus (Note 19)		Retained Earnings (Note 19)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests (Note 12)	Total Equity
		Share Premium from Issuance of Ordinary Shares	Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2022	\$ 2,989,838	\$ 416,290	\$ -	\$ 3,135,227	\$ 1,674,362	\$ 12,004,319	\$ (2,464,786)	\$ 17,755,250	\$ 816,474	\$ 18,571,724
Appropriation of 2021 earnings										
Legal reserve	-	-	-	460,442	-	(460,442)	-	-	-	-
Special reserve	-	-	-	-	790,424	(790,424)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,391,870)	-	(2,391,870)	(3,149)	(2,395,019)
Net profit for the year ended December 31, 2022	-	-	-	-	-	3,389,063	-	3,389,063	65,355	3,454,418
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	32,650	1,798,592	1,831,242	32,254	1,863,496
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	3,421,713	1,798,592	5,220,305	97,609	5,317,914
BALANCE AT DECEMBER 31, 2022	2,989,838	416,290	-	3,595,669	2,464,786	11,783,296	(666,194)	20,583,685	910,934	21,494,619
Appropriation of 2022 earnings										
Legal reserve	-	-	-	342,171	-	(342,171)	-	-	-	-
Reversal of special reserve	-	-	-	-	(1,798,592)	1,798,592	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,092,887)	-	(2,092,887)	(1,315)	(2,094,202)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	213,862	-	-	-	-	213,862	-	213,862
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,691,823	-	1,691,823	106,939	1,798,762
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	95,559	27,507	123,066	34,229	157,295
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,787,382	27,507	1,814,889	141,168	1,956,057
BALANCE AT DECEMBER 31, 2023	\$ 2,989,838	\$ 416,290	\$ 213,862	\$ 3,937,840	\$ 666,194	\$ 12,934,212	\$ (638,687)	\$ 20,519,549	\$ 1,050,787	\$ 21,570,336

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

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

e. Foreign currencies

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

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

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

n. Revenue recognition

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

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

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

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

o. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

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

3) Current and deferred tax for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

6. CASH AND CASH EQUIVALENTS

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. FINANCIAL ASSETS AT AMORTIZED COST

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

9. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

10. INVENTORIES

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

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

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

The aggregate financial information of associates is as follows:

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

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

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

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

b. Lease liabilities

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

Range of discount rates for lease liabilities was as follows:

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

c. Material lease-activities and terms

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

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

d. Other lease information

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

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

16. BORROWINGS

a. Short-term bank borrowings

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

Rate of interest per annum (%)

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

b. Long-term bank borrowings

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

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

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

17. OTHER PAYABLES

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

19. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

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

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

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

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

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

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

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

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

20. REVENUE

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

b. Disaggregation of revenue

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

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits expense, depreciation and amortization expenses

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

b. Employees' compensation and remuneration of directors

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

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

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

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

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

22. TAXES

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

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

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

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

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

b. Current tax assets and liabilities

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

c. Changes in deferred tax assets and liabilities

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

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

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

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

- e. Income tax assessments

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

- f. Pillar Two income tax legislation

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

c.

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

23. EARNINGS PER SHARE

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

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

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

24. CAPITAL MANAGEMENT

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

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

25. FINANCIAL INSTRUMENTS

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

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

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

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

c. Categories of financial instruments

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

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

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

d. Financial risk management objectives and policies

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

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

a) Market risk

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

i. Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD.

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

ii. Interest rate risk

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

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

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

Sensitivity analysis

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

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

b) Credit risk

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

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

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

c) Liquidity risk

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

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

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

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

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

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

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

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

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Categories/Names

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

b. Sales of goods

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

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

c. Purchase of goods

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

The purchase price is quoted based on market prices.

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

e.

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

It is the subsidy amount from associates.

e. Contract liabilities - advance receipts

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

f. Receivables from related parties

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

g. Payables to related parties

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

h. Other transactions with related parties

1) Interest income

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

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

2) Other income

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

i. Remuneration of key management personnel

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

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

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

- c. Product liability insurance

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

29. SIGNIFICANT LOSSES FROM DISASTERS

No such incident.

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No such incident.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

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

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

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

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

- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

b. Information on investments in mainland China:

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

c. Information of major shareholders:

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

33. SEGMENT INFORMATION

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

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

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

For the Year Ended December 31, 2022

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

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

b. Information about major customers

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

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

Note 1: The preference shares investments have been eliminated.

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Company Name	Related Party (Note)	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	SBC Group Merida & Centurion	Associate	Sales	\$ (13,012,660)	(65)	O/A 60 days	\$ -	-	\$ 1,106,418	31	
		Subsidiary	Sales	(1,910,059)	(10)	T/T 14 days or O/A 150 days	-	-	670,973	19	
	Merida Jiangsu Merida U.K.	Third-tier subsidiary	Sales	(809,099)	(4)	O/A 90 days	-	-	178,906	5	
		Subsidiary	Sales	(522,772)	(3)	O/A 60 days	-	-	105,886	3	
	Merida Korea	Associate	Sales	(345,898)	(2)	T/T 14 days or O/A 120 days	-	-	70,304	2	
			Sales	(331,173)	(2)	O/A 180 days	-	-	173,753	5	
	Merida Benelux Merida Japan	Subsidiary	Sales	(307,199)	(2)	O/A 120 days	-	-	132,436	4	
		Subsidiary	Sales	(290,240)	(1)	T/T 14 days or O/A 180 days	-	-	103,619	3	
	SAIL & SURF	Associate	Sales	(282,291)	(1)	T/T 14 days or O/A 120 days	-	-	136,265	4	
			Sales	(214,582)	(1)	O/A 90 days	-	-	156,835	4	
	Merida Italy Merida Bikes SWE	Associate	Sales	(167,460)	(1)	T/T 14 days or O/A 120 days	-	-	52,857	1	
		Associate	Sales	(163,353)	(1)	T/T 14 days or O/A 150 days	-	-	59,970	2	
	Merida Czech	Associate	Sales	(132,788)	(1)	O/A 150 days	-	-	377,152	10	
			Subsidiary	Purchases	685,783	5	T/T 30 days	-	-	-	-
	Merida Polska Merida Jiangsu	Third-tier subsidiary	Purchases	442,066	3	T/T 90 days	-	-	(30,807)	(1)	
Third-tier subsidiary											
Merida Jiangsu	Merida Shandong	Associate	Sales	RMB (443,143)	(68)	T/T 90 days	-	-	RMB 25,872	88	

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

Note: Significant intercompany accounts and transactions have been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

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

Note 2: This transaction has been eliminated.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

Note 1: Not applicable.

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

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

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

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

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

TABLE 9**MERIDA INDUSTRY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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

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

MERIDA INDUSTRY CO., LTD.

Chairman Tseng Song-Zhu