

Common Stock Code : 9914

Merida Industry Co., Ltd.

Handbook

for the 2021 Annual Meeting of
Shareholders

June 25, 2021

Merida Industry Co., Ltd.

2021 Annual Shareholders' Meeting

Time : 9:30 AM, Friday June 25th, 2021

Location : No. 116, Meigang Road, Meigang Village, Dacun Township, Changhua County 515, Taiwan (R02 Conference Room, F4, Merida Industry Co., Ltd.)

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Reported Matters

1. Distribution Report of Employees' Compensation and Directors' Compensation for the 2020 Fiscal Year:

- (1) Handled in Accordance with Article 32 of Merida's Articles of Incorporation.
- (2) In 2020, prior to the deduction of employees' compensation and directors' compensation, Merida's pre-tax income was NTD\$ 5,504,533,116. The employees' compensation was distributed from 6% of the above amount, totaling NTD\$ 330,271,987, and the directors' compensation was distributed from 2.6% of the above amount, totaling NTD\$ 143,117,861, all of which has been fully distributed in cash.

2. 2020 Business Report :

Merida Industry Co., Ltd. 2020 Business Report

According to the statistics by the Taiwan Bicycle Association (TBA), the total export volume and revenue of Taiwan's bicycles, including electric assisted bicycles (hereinafter referred to as "electric bicycles") and traditional bicycles (hereinafter referred to as bicycles), decreased by 11.20% (volume) and 5.39% (revenue) from 2019 to 2020. Such figures indicate that the industry was disrupted by the COVID-19 outbreak in 2020. Although the global demand increased sharply later during the pandemic, the assembled bicycle production and export seemed relatively conservative due to the instability in material supply and logistics on the manufacturing end.

From 2019 to 2020, the sales volume and revenue of the Company's own-brand high-end bicycles in China increased by nearly 58% (volume) and 55% (revenue). The Taiwan factory, which mainly exports to the European and American high-end bicycle markets, deferred production due to the pandemic, resulting in the annual export figures equivalent to those of a quarter, the y-o-y growth of electric bike export nearly remaining flat, and the number of exported bicycles decreased by over 20% annually. The annual consolidated and standalone (Taiwan factory) sales volumes are respectively 1.0691 million units and 638,900 units (including approximately 230,000 electric bicycles), an increase of 1.61% and a decrease of 22.01% from the previous year. The annual consolidated and standalone revenues were respectively NT\$27.07 billion and NT\$20.229 billion, a 4.15% and 19.10% decrease from the previous year. However, as the global market sales in 2020 saw a bounce-back along with the situation of COVID-19, sales surged later during the pandemic, and huge profits have been injected since Q2, which led to the Group's remarkable performance of "conservative revenue and impressive profit."

We are deeply grateful for the support of all shareholders and directors, as well as the hard work of all employees. In the face of the decline of the shared bicycles market in China and the growth momentum for own brand derived from the newly created demand for high-end bicycles post-pandemic, as well as the even more heated demand for electric bicycles in America and Europe which resulted in the revival of demands for bicycles, the Company will actively adjust the production lines of bicycles and electric bicycles, dispatch various resources, and properly prepare production capacity to fulfill market needs. The Company will also strive to achieve operational targets, to push through the base period, thereby

reaching new heights.

The consolidated and standalone operating situations of Merida in 2020 are hereby reported as follows :

(1) Operating Achievements Plans:

In 10,000 units

Item	Budget	Actual	Completion Rate
Consolidated	86.33	106.91	123.84%
Standalone	60.28	63.89	105.99%

(2) Operations Summary

1. Consolidated

Unit : 10,000 units for sales quantity, NTD\$ 1,000
for others

Item	Year		Year-on-Year Comparison	
	2020	2019		
Sales quantity	106.91	105.22	1.69	1.61%
Net operating revenue	\$27,072,342	\$28,243,214	(1,170,872)	(4.15%)
Operating cost	23,285,132	24,423,564	(1,138,432)	(4.66%)
Gross profit	3,787,210	3,819,650	(32,440)	(0.85%)
Realized (unrealized) gains from sales	278,539	(83,322)	361,861	(434.29%)
Realized gross profit	4,065,749	3,736,328	329,421	8.82%
Operating expenses	2,181,527	2,025,502	156,025	7.70%
Operating income	1,884,222	1,710,826	173,396	10.13%
Non-operating income and (expenses)	3,356,595	1,492,854	1,863,741	124.84%
Income before tax	5,240,817	3,203,680	2,037,137	63.59%
Net income	4,112,147	2,500,984	1,611,163	64.42%

2. Standalone

Unit : 10,000 units for sales quantity, NTD\$ 1,000
for others

Item	Year		Year-on-Year Comparison	
	2020	2019		
Sales quantity	63.89	81.92	(18.03)	(22.01)
Net operating revenue	20,229,413	\$25,004,210	(4,774,797)	(19.10%)
Operating cost	18,422,627	22,231,166	(3,808,539)	(17.13%)
Gross profit	1,806,786	2,773,044	(966,258)	(34.84%)
Realized (unrealized) gains from sales	447,879	(190,075)	637,954	(335.63%)
Realized gross profit	2,254,665	2,582,969	(328,304)	(12.71%)
Operating expenses	860,246	834,253	25,993	3.12%
Operating income	1,394,419	1,748,716	(354,297)	(20.26%)
Non-operating income and (expenses)	3,636,725	1,424,671	2,212,054	155.27%
Income before tax	5,031,144	3,173,387	1,857,757	58.54%
Net income	3,993,317	2,502,443	1,490,874	59.58%

(3) Profitability Analysis

1. Consolidated

Item	2020	2019	Year-on-Year Comparison
Return on assets	15.01%	10.47%	43.36%
Return on equity	26.37%	18.07%	45.93%
Operating Income to Capital Stock	63.02%	57.22%	10.14%
Income before tax to capital stock	175.29%	107.15%	63.59%
Profit margin	15.19%	8.86%	71.44%
Earnings per share (NTD)	13.36	8.37	59.62%

2. Standalone

Item	2020	2019	Year-on-Year Comparison
Return on assets	16.24%	11.58%	40.24%
Return on equity	26.79%	18.86%	42.05%
Operating Income to Capital	46.64%	58.49%	(20.26%)
Income before tax to capital	168.27%	106.14%	58.54%
Profit margin	19.74%	10.01%	97.20%
Earnings per share (NTD)	13.36	8.37	59.62%

(4) Research and Development

1. eONE-SIXTY: Won the 28th (2020) Taiwan Excellence Silver Award.
2. MISSION CX₁: Won the 28th (2020) Taiwan Excellence Award.
3. eONE-SIXTY : Won the 8th (2020) TAIPEI CYCLE D&I Golden Awards.
4. REACTO₁: Won the 29th (2021) Taiwan Excellence Award and was nominated for Taiwan Excellence Silver Award.
5. NINETY-SIX: Won the 29th (2021) Taiwan Excellence Award and was nominated for Taiwan Excellence Golden and Silver Award.

Zeng Song-Zhu, Chairman
Zeng Song-Zhu, President
Cai Xue-liang, Chief Accountant

3. Audit Committee's Review on the 2020 Business Report and Financial Statements :

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Consolidated and Standalone Financial Statements. CPAs Shu-Ching Chiang and Dong-Yun Tseng of Deloitte & Touche were retained to audit the Company's Financial Statements and have issued an audit report relating to the Financial Statements.

The aforementioned Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Merida Industry Co., Ltd. According to relevant provisions of the Securities and Exchange Act and the Company Act, we hereby submit this report, please check.

To:

2021 Shareholders' Meeting

Merida Industry Co., Ltd.

Chairman of the Audit Committee:

Chen Shui-jin

March 25, 2021

4. Status of Endorsements and Guarantees :

As of December 31st, 2020, the endorsements and guarantees provided by Merida are as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies

Endorsee/Guarantee	Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Ending Balance of Outstanding Endorsement / Guarantee	Actual Amount of Expenditure	Maximum Amount of Endorsement and Guarantee	Nature of Guarantee
Merida U.K.	\$4,810,240	EUR500	-	\$8,017,068	Standby letter of credit
		GBP 4,000	GBP3,978		Short-term loan
Merida & Centurion Germany GmbH	4,810,240	EUR2,500	EUR 2,100		Standby letter of credit
		EUR3,500	EUR500		Short-term loan
		EUR21,000	EUR19,200		Medium- and long- term loan
MERIDA Bicycle (Jiangsu) Co., Ltd.	4,810,240	USD3,750	USD250		Medium- and long- term loan
		RMB 60,000	RMB 60,000		Medium- and long- term loan

Proposed Resolutions

Proposal 1: Adoption of the 2020 Business Report and Financial Statement (Proposed by the Board of Directors).

Description: 2020 Business Report, Standalone and Consolidated Financial Statements were approved at the 16th meeting held by the 1st Audit Committee, and were submitted and passed at the 2nd board meeting in 2021. Refer to page 4-7 of this Handbook for the Business Report; refer to page 11-30 for the Standalone and Consolidated Financial Statements. They are hereby submitted for adoption:

Resolution:

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Merida Industry Co., Ltd. (the Corporation), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2020 is as follows:

Revenue Recognition

The Corporation's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. As export revenue from the sale of e-bikes for the year ended December 31, 2020 accounted for a significant proportion of sales revenue, recognition of sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

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

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

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2020 and 2019, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT\$13,544,791 thousand and NT\$10,440,751 thousand, accounting for 51% and 46% of the Corporation's total assets as of December 31, 2020 and 2019, respectively. The share of profit of associates was NT\$3,359,564 thousand and NT\$1,374,891 thousand, accounting for 96% and 66% of the Corporation's total comprehensive income for the years ended December 31, 2020 and 2019, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2021

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6(1))	\$ 1,528,092	6	\$ 1,537,108	7
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	1,563,734	6	1,078,809	5
Notes receivable (Notes 4 and 6(15))	6,954	-	8,705	-
Trade receivables (Notes 4, 6(3) and 6(15))	142,585	1	127,718	-
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,685,153	6	3,209,120	14
Other receivables (Note 7)	149,154	1	216,829	1
Inventories (Notes 4, 5 and 6(4))	2,780,043	11	1,379,762	6
Other current assets	<u>38,291</u>	-	<u>2,656</u>	-
Total current assets	<u>7,894,006</u>	<u>31</u>	<u>7,560,707</u>	<u>33</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 6(5))	92,620	-	92,620	-
Investments accounted for using the equity method (Notes 4 and 6(6))	17,323,550	65	13,809,163	61
Property, plant and equipment (Notes 4 and 6(7))	1,003,876	4	1,013,022	4
Right-of-use assets (Notes 4 and 6(8))	3,529	-	6,808	-
Investment properties (Notes 4 and 6(9))	34,836	-	35,403	-
Intangible assets (Notes 4 and 6(10))	13,390	-	139	-
Deferred tax assets (Notes 4 and 6(17))	76,068	-	188,991	2
Prepayments for equipment	26,066	-	30,455	-
Refundable deposits	<u>2,976</u>	-	<u>2,976</u>	-
Total non-current assets	<u>18,576,911</u>	<u>69</u>	<u>15,179,577</u>	<u>67</u>
TOTAL	<u>\$ 26,470,917</u>	<u>100</u>	<u>\$ 22,740,284</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 6(11))	\$ 1,161,358	4	\$ 845,965	4
Contract liabilities - current (Notes 4 and 6(15))	160,028	1	33,916	-
Trade payables	4,583,041	18	4,144,939	18
Trade payables to related parties (Note 7)	112,664	-	153,832	1
Other payables (Note 6(12))	705,254	3	513,100	2
Current tax liabilities (Notes 4 and 6(17))	108,191	-	272,744	1
Lease liabilities - current (Notes 4 and 6(8))	2,870	-	4,001	-
Other current liabilities	<u>3,636</u>	-	<u>3,479</u>	-
Total current liabilities	<u>6,837,042</u>	<u>26</u>	<u>5,971,976</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 6(17))	3,423,416	13	2,702,913	12
Lease liabilities-non-current (Notes 4 and 6(8))	567	-	2,765	-
Net defined benefit liabilities (Notes 4 and 6(13))	108,391	-	195,207	1
Guarantee deposits received	267	-	267	-
Credit balance of investments accounted for using the equity method (Notes 4 and 6(6))	<u>67,098</u>	-	<u>88,471</u>	-
Total non-current liabilities	<u>3,599,739</u>	<u>13</u>	<u>2,989,623</u>	<u>13</u>
Total liabilities	<u>10,436,781</u>	<u>39</u>	<u>8,961,599</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	11	2,989,838	13
Capital surplus				
Share premium from issuance of ordinary shares	416,290	2	416,290	2
Retained earnings				
Legal reserve	2,732,977	10	2,482,733	11
Special reserve	1,163,048	4	769,489	3
Unappropriated earnings	10,406,346	40	8,283,384	37
Other equity	<u>(1,674,363)</u>	<u>(6)</u>	<u>(1,163,049)</u>	<u>(5)</u>
Total equity	<u>16,034,136</u>	<u>61</u>	<u>13,778,685</u>	<u>61</u>
TOTAL	<u>\$ 26,470,917</u>	<u>100</u>	<u>\$ 22,740,284</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021))

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 20,229,413	100	\$ 25,004,210	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>18,422,627</u>	<u>91</u>	<u>22,231,166</u>	<u>89</u>
GROSS PROFIT	1,806,786	9	2,773,044	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>447,879</u>	<u>2</u>	<u>(190,075)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>2,254,665</u>	<u>11</u>	<u>2,582,969</u>	<u>10</u>
OPERATING EXPENSES (Notes 6(16) and 7)				
Selling and marketing expenses	499,060	2	596,359	2
General and administrative expenses	<u>361,186</u>	<u>2</u>	<u>237,894</u>	<u>1</u>
Total operating expenses	<u>860,246</u>	<u>4</u>	<u>834,253</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>1,394,419</u>	<u>7</u>	<u>1,748,716</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 7)	27,928	-	64,239	-
Technical service and royalty income (Note 7)	66,165	-	46,951	-
Other income	78,596	-	35,954	-
Net foreign exchange gains (losses) (Note 4)	(106,578)	(1)	45,202	-
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	23,743	-	10,549	-
Share of profit of subsidiaries and associates (Note 4)	3,580,526	18	1,261,953	6
Interest expense	(4,586)	-	(9,381)	-
Other expenses (Note 6(16))	<u>(29,069)</u>	<u>-</u>	<u>(30,796)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,636,725</u>	<u>17</u>	<u>1,424,671</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	5,031,144	24	3,173,387	13
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,037,827</u>	<u>5</u>	<u>670,944</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>3,993,317</u>	<u>19</u>	<u>2,502,443</u>	<u>10</u>

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 6(13))	\$ 37,111	-	\$ (19,797)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>(7,422)</u>	<u>-</u>	<u>3,959</u>	<u>-</u>
	<u>29,689</u>	<u>-</u>	<u>(15,838)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(511,314)</u>	<u>(3)</u>	<u>(393,559)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(481,625)</u>	<u>(3)</u>	<u>(409,397)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,511,692</u>	<u>16</u>	<u>\$ 2,093,046</u>	<u>8</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 13.36</u>		<u>\$ 8.37</u>	
Diluted	<u>\$ 13.27</u>		<u>\$ 8.33</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2021))

(Concluded)

MERIDA INDUSTRY CO., LTD.

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

	Common Shares (Note 6(14))	Capital Surplus (Note 6(14))		Retained Earnings (Note 6(14))			Other Equity (Note 4) Exchange Translating the Financial Statements of Foreign Operations	Total
		Share Premium from Issuance of Common Share	Capital Surplus from Investments Accounted for Using Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2019	\$ 2,989,838	\$ 416,290	\$ 258	\$ 2,311,849	\$ 807,624	\$ 6,995,807	\$ (769,490)	\$ 12,752,176
Appropriation of 2018 earnings								
Legal reserve	-	-	-	170,884	-	(170,884)	-	-
Reversal of special reserve	-	-	-	-	(38,135)	38,135	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,046,443)	-	(1,046,443)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	(258)	-	-	(19,836)	-	(20,094)
Net profit for the year ended December 31, 2019	-	-	-	-	-	2,502,443	-	2,502,443
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(15,838)	(393,559)	(409,397)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,486,605	(393,559)	2,093,046
BALANCE AT DECEMBER 31, 2019	2,989,838	416,290	-	2,482,733	769,489	8,283,384	(1,163,049)	13,778,685
Appropriation of 2019 earnings								
Legal reserve	-	-	-	250,244	-	(250,244)	-	-
Special reserve	-	-	-	-	393,559	(393,559)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,255,732)	-	(1,255,732)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	-	-	-	(509)	-	(509)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,993,317	-	3,993,317
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	29,689	(511,314)	(481,625)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	4,023,006	(511,314)	3,511,692
BALANCE AT DECEMBER 31, 2020	\$ 2,989,838	\$ 416,290	\$ -	\$ 2,732,977	\$ 1,163,048	\$ 10,406,346	\$ (1,674,363)	\$ 16,034,136

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

(With Deloitte & Touche audit report dated March 25, 2021)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,031,144	\$ 3,173,387
Adjustments for:		
Depreciation expenses	66,808	68,304
Amortization expenses	749	866
Expected credit gain reversed on trade receivables	(3,678)	(1,357)
Net gain on fair value changes of financial assets at fair value through profit or loss	(23,743)	(10,549)
Interest expense	4,586	9,381
Interest income	(27,928)	(64,239)
Dividend income	(1,389)	(4,813)
Share of profit of associates	(3,580,526)	(1,261,953)
Loss on disposal of property, plant and equipment	48	2,175
Write-down (reversal) of inventories	3,786	(3,300)
Unrealized loss (gain) on transactions with associates	(447,879)	190,075
Unrealized net loss (gain) on foreign currency exchange	(9,061)	32,705
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(461,182)	(568,565)
Notes receivable	1,751	7,823
Trade receivables	1,496,445	(663,752)
Other receivables	(20,908)	7,531
Inventories	(1,404,067)	245,227
Other current assets	(35,635)	353
Contract liabilities	126,112	1,607
Trade payables	411,424	662,104
Other payables	192,071	55,582
Other current liabilities	157	1,365
Net defined benefit liabilities	(49,705)	2,688
Cash generated from operations	1,269,380	1,882,645
Interest received	40,898	59,832
Dividends received	11,254	14,497
Interest paid	(4,504)	(9,943)
Income tax paid	(389,870)	(447,072)
Net cash generated from operating activities	<u>927,158</u>	<u>1,499,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of associates	(29,043)	(217,457)
Payments for property, plant and equipment	(15,957)	(18,939)
Proceeds from disposal of property, plant and equipment	7	-
Decrease (increase) in other receivables from related parties	89,107	(126,520)

(Continued)

MERIDA INDUSTRY CO., LTD.

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

	For the Year Ended December 31	
	2020	2019
Payments for intangible assets	\$ (14,000)	\$ -
Increase in prepayments for equipment	<u>(32,720)</u>	<u>(17,771)</u>
Net cash used in investing activities	<u>(2,606)</u>	<u>(380,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	326,298	126,260
Proceeds from guarantee deposits received	-	265
Repayment of the principal portion of lease liabilities	(4,134)	(4,048)
Dividends paid to owners of the Corporation	<u>(1,255,732)</u>	<u>(1,046,443)</u>
Net cash used in financing activities	<u>(933,568)</u>	<u>(923,966)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,016)	195,306
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,537,108</u>	<u>1,341,802</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,528,092</u>	<u>\$ 1,537,108</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Merida Industry Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. 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, 2020 is as follows:

Revenue Recognition

The Group's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. As export revenue from the sale of e-bikes for the year ended December 31, 2020 accounted for a significant proportion of sales revenue, recognition of sales revenue from the sale of e-bikes has been identified as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

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

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

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2020 and 2019, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT\$13,544,791 thousand and NT\$10,440,751 thousand, accounting for 46% and 41% of the Group's consolidated total assets as of December 31, 2020 and 2019, respectively. The share of profit of associates was NT\$3,359,564 thousand and NT\$1,374,891 thousand, accounting for 92% and 67% of the Group's consolidated comprehensive income for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2021

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6(1))	\$ 3,931,022	14	\$ 3,271,253	13
Financial assets at fair value through profit or loss - current (Notes 4 and 6(2))	1,563,734	5	1,078,809	4
Notes receivable (Notes 4 and 6(15))	6,954	-	12,474	-
Trade receivables (Notes 4, 6(3) and 6(15))	622,119	2	759,041	3
Trade receivables from related parties (Notes 4, 6(3), 6(15) and 7)	1,226,649	4	1,745,195	7
Other receivables (Note 7)	88,017	-	110,062	-
Inventories (Notes 4, 5 and 6(4))	4,990,061	17	4,653,985	18
Other current assets	<u>160,381</u>	<u>1</u>	<u>127,752</u>	<u>-</u>
Total current assets	<u>12,588,937</u>	<u>43</u>	<u>11,758,571</u>	<u>45</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 6(5))	3,400	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 6(7))	13,828,216	47	10,658,905	42
Property, plant and equipment (Notes 4 and 6(8))	2,685,572	9	2,400,791	10
Right-of-use assets (Notes 4 and 6(9))	353,328	1	540,505	2
Investment properties (Notes 4 and 6(10))	34,836	-	35,403	-
Intangible assets (Note 4)	56,399	-	45,307	-
Deferred tax assets (Notes 4 and 6(17))	76,068	-	188,991	1
Prepayments for equipment	28,778	-	30,496	-
Other non-current assets	<u>26,943</u>	<u>-</u>	<u>18,421</u>	<u>-</u>
Total non-current assets	<u>17,093,540</u>	<u>57</u>	<u>13,922,219</u>	<u>55</u>
TOTAL	<u>\$ 29,682,477</u>	<u>100</u>	<u>\$ 25,680,790</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 4 and 6(11))	\$ 1,634,949	6	\$ 1,880,773	7
Contract liabilities - current (Notes 4 and 6(15))	160,028	1	33,916	-
Notes payable and trade payables	4,996,651	17	4,453,631	17
Trade payables to related parties (Note 7)	58,689	-	46,543	-
Other payables (Note 6(12))	1,084,989	4	813,144	3
Current tax liabilities (Notes 4 and 6(17))	171,422	1	301,936	1
Lease liabilities - current (Notes 4 and 6(9))	41,716	-	57,107	-
Current portion of long-term bank loans (Notes 4 and 6(11))	33,017	-	158,982	1
Other current liabilities	<u>71,352</u>	<u>-</u>	<u>68,072</u>	<u>-</u>
Total current liabilities	<u>8,252,813</u>	<u>29</u>	<u>7,814,104</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4 and 6(11))	994,190	3	355,830	1
Deferred tax liabilities (Notes 4 and 6(17))	3,423,416	12	2,702,913	11
Lease liabilities - non-current (Notes 4 and 6(9))	92,976	-	174,038	1
Net defined benefit liabilities (Notes 4 and 6(13))	108,391	-	195,207	1
Guarantee deposits received	30,104	-	33,098	-
Credit balance of investments accounted for using the equity method (Notes 4 and 6(7))	<u>-</u>	<u>-</u>	<u>1,740</u>	<u>-</u>
Total non-current liabilities	<u>4,649,077</u>	<u>15</u>	<u>3,462,826</u>	<u>14</u>
Total liabilities	<u>12,901,890</u>	<u>44</u>	<u>11,276,930</u>	<u>43</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	10	2,989,838	12
Capital surplus				
Share premiums from issuance of ordinary shares	416,290	1	416,290	2
Retained earnings				
Legal reserve	2,732,977	9	2,482,733	10
Special reserve	1,163,048	4	769,489	3
Unappropriated earnings	10,406,346	35	8,283,384	32
Other equity	<u>(1,674,363)</u>	<u>(6)</u>	<u>(1,163,049)</u>	<u>(5)</u>
Total equity attributable to owners of the Corporation	<u>16,034,136</u>	<u>53</u>	<u>13,778,685</u>	<u>54</u>
NON-CONTROLLING INTERESTS	<u>746,451</u>	<u>3</u>	<u>625,175</u>	<u>3</u>
Total equity	<u>16,780,587</u>	<u>56</u>	<u>14,403,860</u>	<u>57</u>
TOTAL	<u>\$ 29,682,477</u>	<u>100</u>	<u>\$ 25,680,790</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4, 6(15) and 7)	\$ 27,072,342	100	\$ 28,243,214	100
COST OF GOODS SOLD (Notes 6(4), 6(16) and 7)	<u>23,285,132</u>	<u>86</u>	<u>24,423,564</u>	<u>87</u>
GROSS PROFIT	3,787,210	14	3,819,650	13
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>278,539</u>	<u>1</u>	<u>(83,322)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,065,749</u>	<u>15</u>	<u>3,736,328</u>	<u>13</u>
OPERATING EXPENSES (Notes 6(16) and 7)				
Selling and marketing expenses	1,046,703	4	1,088,300	4
General and administrative expenses	<u>1,134,824</u>	<u>4</u>	<u>937,202</u>	<u>3</u>
Total operating expenses	<u>2,181,527</u>	<u>8</u>	<u>2,025,502</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>1,884,222</u>	<u>7</u>	<u>1,710,826</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 7)	34,325	-	80,674	-
Other income (Note 7)	167,307	1	65,129	-
Net foreign exchange gains (losses) (Note 4)	(131,819)	-	78,155	-
Gain on fair value changes of financial assets at fair value through profit or loss (Note 4)	23,716	-	10,549	-
Share of profit of subsidiaries and associates (Note 4)	3,385,363	13	1,350,284	5
Interest expense	(52,006)	-	(43,874)	-
Other expenses (Note 6(16))	<u>(70,291)</u>	<u>-</u>	<u>(48,063)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,356,595</u>	<u>14</u>	<u>1,492,854</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	5,240,817	21	3,203,680	11
INCOME TAX EXPENSE (Notes 4 and 6(17))	<u>1,128,670</u>	<u>4</u>	<u>702,696</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>4,112,147</u>	<u>17</u>	<u>2,500,984</u>	<u>9</u>

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 6(13))	\$ 37,111	-	\$ (19,797)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(17))	<u>(7,422)</u>	<u>-</u>	<u>3,959</u>	<u>-</u>
	<u>29,689</u>	<u>-</u>	<u>(15,838)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(490,893)</u>	<u>(2)</u>	<u>(419,746)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(461,204)</u>	<u>(2)</u>	<u>(435,584)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,650,943</u>	<u>15</u>	<u>\$ 2,065,400</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,993,317	15	\$ 2,502,443	9
Non-controlling interests	<u>118,830</u>	<u>-</u>	<u>(1,459)</u>	<u>-</u>
	<u>\$ 4,112,147</u>	<u>15</u>	<u>\$ 2,500,984</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,511,692	13	\$ 2,093,046	7
Non-controlling interests	<u>139,251</u>	<u>1</u>	<u>(27,646)</u>	<u>-</u>
	<u>\$ 3,650,943</u>	<u>14</u>	<u>\$ 2,065,400</u>	<u>7</u>
EARNINGS PER SHARE (Note 6(18))				
Basic	<u>\$ 13.36</u>		<u>\$ 8.37</u>	
Diluted	<u>\$ 13.27</u>		<u>\$ 8.33</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation									
	Common Shares (Note 6(14))	Capital Surplus (Note 6(14))		Retained Earnings (Note 6(14))			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interest	Total
		Share Premium from Issuance of Common Share	Capital Surplus from Investments Accounted for Using Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	\$ 2,989,838	\$ 416,290	\$ 258	\$ 2,311,849	\$ 807,624	\$ 6,995,807	\$ (769,490)	\$ 12,752,176	\$ 524,841	\$ 13,277,017
Appropriation of 2018 earnings										
Legal reserve	-	-	-	170,884	-	(170,884)	-	-	-	-
Reversal of special reserve	-	-	-	-	(38,135)	38,135	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,046,443)	-	(1,046,443)	-	(1,046,443)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	(258)	-	-	(19,836)	-	(20,094)	20,094	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	107,886	107,886
Net profit for the year ended December 31, 2019	-	-	-	-	-	2,502,443	-	2,502,443	(1,459)	2,500,984
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(15,838)	(393,559)	(409,397)	(26,187)	(435,584)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,486,605	(393,559)	2,093,046	(27,646)	2,065,400
BALANCE AT DECEMBER 31, 2019	2,989,838	416,290	-	2,482,733	769,489	8,283,384	(1,163,049)	13,778,685	625,175	14,403,860
Appropriation of 2019 earnings										
Legal reserve	-	-	-	250,244	-	(250,244)	-	-	-	-
Special reserve	-	-	-	-	393,559	(393,559)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,255,732)	-	(1,255,732)	(3,289)	(1,259,021)
Difference between carrying amount and consideration on the actual acquisition or disposal of equity interests in subsidiaries	-	-	-	-	-	(509)	-	(509)	509	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(15,195)	(15,195)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,993,317	-	3,993,317	118,830	4,112,147
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	29,689	(511,314)	(481,625)	20,421	(461,204)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	4,023,006	(511,314)	3,511,692	139,251	3,650,943
BALANCE AT DECEMBER 31, 2020	\$ 2,989,838	\$ 416,290	\$ -	\$ 2,732,977	\$ 1,163,048	\$ 10,406,346	\$ (1,674,363)	\$ 16,034,136	\$ 746,451	\$ 16,780,587

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

(With Deloitte & Touche audit report dated March 25, 2021)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,240,817	\$ 3,203,680
Adjustments for:		
Depreciation expenses	268,297	260,726
Amortization expenses	7,908	10,246
Expected credit loss recognized on trade receivables	6,637	3,858
Net gain on fair value changes of financial assets at fair value through profit or loss	(23,716)	(10,549)
Interest expense	52,006	43,874
Interest income	(34,325)	(80,674)
Dividend income	(1,389)	(4,813)
Share of profit of associates	(3,385,363)	(1,350,284)
Loss on disposal of property, plant and equipment	858	2,310
Write-down of inventories	1,315	212
Unrealized loss (gain) on transactions with associates	(278,539)	83,322
Unrealized net (gain) loss on foreign currency exchange	(10,529)	35,068
Gain on lease modification	(774)	-
Loss on disposal of right-of-use assets	8,225	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(461,209)	(568,565)
Notes receivable	5,344	6,807
Trade receivables	638,137	(24,800)
Other receivables	529,822	(184,274)
Inventories	(331,846)	(376,793)
Other current assets	(23,847)	(18,116)
Contract liabilities	126,112	1,607
Notes payable and trade payables	559,051	652,414
Other payables	(260,186)	3,477
Other current liabilities	2,304	(15,923)
Net defined benefit liabilities	(49,705)	2,688
Cash generated from operations	2,585,405	1,675,498
Interest received	45,414	71,674
Dividends received	1,389	14,497
Interest paid	(52,966)	(42,562)
Income tax paid	(466,876)	(508,759)
Net cash generated from operating activities	<u>2,112,366</u>	<u>1,210,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments accounted for using equity method	(13,848)	-
Net cash inflow on acquisitions of associates	-	61,150
Acquisition for property, plant and equipment	(419,566)	(271,411)
Proceeds from disposal of property, plant and equipment	1,271	1,942

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2020	2019
Decrease (increase) in refundable deposits	\$ (5,530)	\$ 552
Decrease (increase) in other receivables from related parties	37,379	(37,379)
Payments for intangible assets	(18,947)	(3,249)
Proceeds from disposal of intangible assets	-	83
Acquisitions of right-of-use assets	-	(5,962)
Increase in other non-current assets	(3,073)	(4,430)
Increase in prepayments for equipment	(35,338)	(17,815)
Proceeds from disposal of right-of-use assets	<u>79,211</u>	<u>-</u>
Net cash used in investing activities	<u>(378,441)</u>	<u>(276,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments for) short-term bank loans	(230,446)	27,777
Proceeds from long-term borrowings	641,193	299,601
Repayments of long-term bank loans	(157,837)	(111,359)
Increase (decrease) in refundable deposits	(3,075)	1,912
Repayment of the principal portion of lease liabilities	(49,673)	(50,269)
Dividends paid to owners of the Corporation	(1,246,476)	(1,046,443)
Acquisition of subsidiaries	(15,195)	-
Changes in non-controlling interests	<u>-</u>	<u>69,188</u>
Net cash used in financing activities	<u>(1,061,509)</u>	<u>(809,593)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(12,647)</u>	<u>(73,002)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	659,769	51,234
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,271,253</u>	<u>3,220,019</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,931,022</u>	<u>\$ 3,271,253</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

Proposal 2: Adoption of the proposal for distribution of 2020 earnings
(Proposed by the Board of Directors).

Description: In accordance with the Company Act and the Company's Articles of Incorporation, the 2020 earnings distribution is proposed as follows. The proposal has been approved at the 16th meeting held by the 1st Audit Committee, and has been passed at the 2nd board meeting in 2021. It is hereby submitted for adoption:

Merida Industry Co., Ltd.	
2020 Earnings	
Distribution Table	
	<u>In New Taiwan Dollars</u>
Undistributed retained earnings, beginning	\$6,383,849,110
Add: Net income for the current period plus other items to be the unappropriated retained earnings for the current year	
2020 income after tax	\$3,993,316,598
Less: Adjustment to the Investments Accounted for Using Equity Method	509,517
Add: Remeasurement of Defined Benefit Obligation	<u>29,688,800</u>
	4,022,495,881
Less: legal reserve	402,249,588
Less: special reserve – other equity items	<u>511,313,894</u>
Retained Earnings Available for Distribution as of December 31, 2020	\$9,492,781,509
Distribution Item:	
Cash Dividends (NT\$7 per share)	<u>2,092,886,600</u>
Undistributed retained earnings, ending (Retaining the beginning balance of undistributed retained earnings)	<u>\$7,399,894,909</u>

(1) Cash dividends: Total number of outstanding common shares was 298,983,800. Cash dividends to shareholders was NT\$7.0 per share. The Company plans to distribute dividends of NTD2,092,886,600. Each common shareholder will be entitled to receive the cash dividends in NTD amount. The fractional parts shall be turned to MERIDA Employee Welfare Committee. Subject to the approval of the General Shareholders' Meeting, the Board of Directors is authorized to determine the ex-dividend date and the distribution date for the cash dividends.

(2) In the event the number of outstanding shares will be affected, the Board is authorized with full power and authority to adjust the distribution percentage, where necessary.

Zeng Song-Zhu, Chairman
Zeng Song-Zhu, President
Cai Xue-liang, Chief Accountant

Resolution:

Matters for Discussion

Proposal 1: Amendment to the Articles of Incorporation (Proposed by the Board of Directors).

Description: According to letter Ching-Shou-Shang No. 10901126340 issued on July 16, 2020 and Article 205 of the Company Act, it is proposed to partially amend the Company's Articles of Incorporation, which was passed by the second board meeting in 2021. The comparison table of the clauses before and after the amendment is hereby proposed for resolution

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Amended Clause	Current clause	Reasons for Amendment
<p>Article 24 <u>Each director shall attend the meeting of the board of directors in person. When a director cannot attend the meeting in person due to extraordinary matters, he/she may be represented by another director.</u> <u>In case a meeting of the board of directors is conducted via visual communication, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</u> <u>In case a director appoints another director to attend a meeting of the board of directors on his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.</u> <u>A director may accept the appointment to act as the proxy referred to in the preceding paragraph of one other director only.</u></p>	<p>Article 24 When board of directors holds meeting, directors shall attend in person. When directors cannot attend due to special circumstances, they may present proxies, specifying authorization scope and entrusting one other director as agent to attend. Directors who reside abroad may entrust other shareholders that reside domestically in writing to attend board of directors on a consistent basis on their behalf. However, they shall apply for registration to competent authority, which also applies to change thereto. If board meeting is held by video conference, directors who participate in the meeting by video are deemed as attend in person.</p>	<p>Amended in Accordance with Article 205 of the Company Act.</p>

<p>Article 37 The Articles of Incorporation were formulated on September 8, 1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994.</p>	<p>Article 37 The Articles of Incorporation were formulated on September 8, 1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994.</p>	<p>Amended dates.</p>
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<p>It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June 26, 2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018. It was amended for the 43rd time on June 24, 2020. <u>It was amended for the 44th time on June 25, 2021.</u></p>	<p>It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June 26, 2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018. It was amended for the 43rd time on June 24, 2020.</p>	
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Resolution:

Proposal 2: Amendment to the Rules of Procedure for Shareholders' Meeting (Proposed by the Board of Directors).

Description: Per 28 January 2021 Letter No. Taiwan-Stock-Governance-11000014461 of the Taiwan Stock Exchange Corporation, it is proposed to partially amend the Company's Regulations Governing Shareholders' Meetings, which was passed by the second board meeting in 2021. The comparison table of the clauses before and after the amendment is hereby proposed for discussion.

Amended Clause	Current clause	Reasons for Amendment
<p>Article 8</p> <p><u>The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials shall be retained at least one year.</u></p>	<p>Article 8</p> <p>The Company shall make an audio or video recording of the whole course of the shareholders' meeting and retain it at least one year.</p>	<p>Amended in accordance with the laws.</p>
<p>Article 9</p> <p><u>The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.</u></p>	<p>Article 9</p> <p>When the meeting time comes, the chairperson shall declare to start the meeting. However, when the shareholders representing no more than half of the total issued shares attend, the chairperson may declare to postpone the meeting. It cannot be postponed more than twice, and the total postponed time cannot exceed 1 hour.</p> <p>When the meeting is postponed twice but the quota is still insufficient and shareholders representing one third of total issued shares have attended, tentative resolution may be made in line with Paragraph 1, Article 175 in the Company Act.</p> <p>Before the end of the meeting, if the number of shares represented by attended shareholders has reached more than half of the total issued shares, the chairperson may resubmit the tentative resolution to the general</p>	<p>Amended in accordance with the laws.</p>

<p><u>Prior to conclusion of the meeting, the attending shareholders represents a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</u></p>	<p>meeting for voting in line with Article 174 of the Company Act.</p>	
<p>Article 17 <u>When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but will have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extempore motions and amendments to original proposals.</u> <u>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</u></p>	<p>Article 17 When the Company holds shareholders' meeting, the voting rights shall be exercised by electronic methods and may be exercised by written form. When the voting right is exercised by written form or electronic method, the exercising method shall be specified in the convening notice of shareholders' meeting. The shareholders exercising voting right by written form or electronic method are deemed to attend shareholders' meeting in person. However, regarding the amendment of extempore motion and original motion, they are deemed as absent, so it is proper for the Company to avoid submitting the amendment of extempore motion and original motion. Regarding the exercising of voting right by written form or electronic method in the preceding paragraph, the expression of intent shall be delivered to the company 2 days before the convening of shareholders' meeting. When the expression of intent is repetitive, the earliest delivery shall prevail, except in the case when the latter declaration intends to revoke the former expression.</p>	<p>Amended in accordance with the laws.</p>

<p><u>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</u></p> <p><u>Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the Market Observation Post System.</u></p> <p><u>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed as rejected, and no further voting shall be required.</u></p> <p><u>Vote monitoring and counting personnel for the voting on a proposal</u></p>	<p>After the shareholders exercise voting right by written form or electronic method, those who want to attend shareholders' meeting in person shall revoke the expression of intent for exercising voting right in the preceding paragraph by the same way as exercising voting right 2 days before the convening of the shareholders' meeting. If the revocation is overdue, the voting right exercised by written form or electronic method shall prevail. If voting right is exercised by written form or electronic method and an agent is entrusted by proxies to attend the shareholders' meeting, the voting right exercised by entrusted attending agent shall prevail.</p> <p>The voting of motion, unless otherwise provided by the Company Act and Articles of Incorporation, shall pass under the consent of half of the attended shareholders with voting rights. In time of voting, the chairperson or the designated personnel shall announce the total number of voting rights. The shareholders shall vote and on the day after the convening of shareholders' meeting, results of shareholders' consent, objection and abstention are input into the Market Observatory Post System. However, if the chairperson queries all attending shareholders for motion with no objection as the result, it is deemed as adoption. Its validity is the same as voting. In case of objection (including exercising voting right to object or abstain from voting by written form or electronic form), the voting method shall be adopted to decide.</p> <p>When the same motion has an amended or substituted motion, the chairperson shall set the order of voting together with the original motion.</p> <p>If one motion among them has</p>	
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<p><u>shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, the list of elected directors and their number of votes, and the list of unsuccessful candidates and their number of votes, shall be announced on-site at the meeting, and a record made of the vote.</u></p>	<p>been approved, other motions are deemed as vetoed, in which it is no longer necessary to vote again. The chairperson shall appoint the vote monitoring and counting personnel for motion voting, but the vote monitoring personnel shall be one of the shareholders. The vote counting work of voting or election motion in a shareholders' meeting shall be done at a public place in the shareholders' meeting venue. Moreover, after the vote counting is completed, the voting result shall be announced on the spot, including the statistical weight, and records shall be made.</p>	
<p>Article 20 <u>These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner. These rules were approved by the regular shareholders' meeting on May 21, 1990. The first amendment was made on June 15, 1998. The second amendment was made on June 25, 2002. The third amendment was made on June 23, 2006. The fourth amendment was made on June 27, 2008. The fifth amendment was made on June 26, 2014. The sixth amendment was made on June 22, 2016. The seventh amendment was made on June 25, 2021.</u></p>	<p>Article 20 This regulation shall come into effect after being approved by shareholders' regular meeting on May 21, 1990. It was amended for the 1st time on June 15, 1998. It was amended for the 2nd time on June 25, 2002. It was amended for the 3rd time on June 23, 2006. It was amended for the 4th time on June 27, 2008. It was amended for the 5th time on June 26, 2014. It was amended for the 6th time on June 22, 2016.</p>	<p>Amended dates.</p>

Resolution:

Election Matters

Proposal 1: Re-election of directors, including independent directors
(Proposed by the Board of Directors).

Description:

- (1) The term of office of the Company's current directors is from June 26, 2018 to June 25, 2021. It is proposed to re-elect the directors at the shareholders' meeting this year.
- (2) It is proposed to re-elect 13 directors (including 4 independent directors), who may be eligible for re-election. The current directors shall be discharged from the date of re-election, and the new director shall take office from the date of re-election. The term of office shall be three years, from June 25, 2021 to June 24, 2024.
- (3) The election of directors shall adopt a candidate nomination system, and directors shall be elected among capable persons by the shareholders. The list of director candidates has been reviewed and approved by the Company's third board meeting in 2021. Their educational background, past work experience and other relevant information are as follows, hereby proposed for election:

Category	Name	Shareholding	Education	Professional Experience
Director	Zeng Song-Zhu	48,664,715	13th Executives Program, Graduate School of Business Administration, National Chengchi University	1. Director and President of Merida 2. President of Taiwan Bicycle Association
Director	Zenglu Min-hua	8,477,819	Concentration of Accounting and Statistics, Taibei High School	Chairman of Dinghong Investment Co., Ltd.
Director	Zeng Song-Ling	5,692,934	Master's degree of Business Administration, Long Island University	Chairman of Dingsheng Investment Co., Ltd.
Director	Lo Tsai-Jen	10,754	Bachelor's degree of Marketing and Materials Management, Connecticut Institute of Technology, USA	1. Chairman of CHENG SHIN Rubber (China) Limited Company 2. Chairman of

				CHENG SHIN / MAXXIS Group
Director	Representative of Dingcheng Investment Co., Ltd.: Zeng Hui-juan	7,314,925	Graduated from Wenxing High School in Accounting and Statistics	Head of the Company's financial management section
Director	Representative of Dinghong Investment Co., Ltd.: Zheng Wen-xiang	390,022	Master's degree of Business Management, Da-Yeh University	Deputy General Manager of the Company's Marketing Division / Spokesperson of the Company
Director	Representative of Dinghong Investment Co., Ltd.: Yuan Qi-bin	390,022	Master's degree of International Business Management, Da-Yeh University	Deputy General Manager of the Company's Production Management Center
Director	Representative of Dinghong Investment Co., Ltd.: Lai Ru-ding	390,022	Master's degree of Business Management, Da-Yeh University	Deputy General Manager of the Company's Manufacturing Division
Director	Representative of Dinghong Investment Co., Ltd.: Tseng Ching-Cheng	390,022	Graduated from the two-year program of Mechanical Engineering at Nanya Institute of Technology	Vice Deputy General Manager of the Company's Domestic Sales Department

Independent Director	Chen Shui-jin	0	Master of Business Administration, Chung Cheng University	Chief Accountant, Yuansheng Accounting Firm
Independent Director	Chen Jian-nan	0	Master in Design Studies, UCLA	Associate Professor, Department of Industrial Design, Chaoyang University of Technology
Independent Director	Wu-Ying Tsai	1,985,450	Bachelor's degree in Electronic and Computer Science, Feng Chia University	Director and Deputy General Manager, FU-CHIAN TIRE CO.,LTD.
Independent Director	Shin-Jung Lei	0	Graduated from the five-year Information Management program at Datong College of Commerce	Head of Engineering Department, Yiding Technology Co., Ltd.

Election Results:

Other Matters for Discussion

Proposal 1: Lifting of strife limitation of the new directors (Proposed by the Board of Directors).

Description: In response to operational needs and considering investments and business development, it is proposed to remove the limits for the newly elected directors and their representatives to engage in businesses that is within the scope of the Company's business with other companies of similar professions for themselves or on behalf of another person, in accordance with Article 209 of the Company Act. The details shall be on the list disclosed at the shareholders' meeting after the election. It is hereby proposed for resolution:

Resolution:

Extempore Motions

Adjournment of Meeting

Appendix

1. Impact of the Free Allotment of Shares Proposed at the Current Shareholders' Meeting on Merida's Operating Performance and Earnings per Share: The earnings distribution case proposed or adopted at the most recent shareholders' meeting only allots cash dividends but is not involved in stock dividend distribution. Besides, the Company has not made public the financial forecast information in 2020, so this item is not applicable.

2. The shareholding situation of directors in Merida:

In accordance with Article 26 in Securities Exchange Act and "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," the total shares held by all directors of the Company cannot be less than 12,000,000 shares (Note). All directors of the Company held a total of 75,952,415 shares at the cutoff date of April 27, 2021 (share transfer suspension start date), which complies with regulations. The shares held by each director are listed below:

Name of Director	Shares held in time of election	Shares held on the date of share transfer	Remark
Zeng Song-Zhu	48,664,715	48,664,715	
Zeng Song-Ling	5,692,934	5,692,934	
Zenglu Min-hua	8,047,819	8,477,819	
Qiu Li-qing	5,412,000	5,412,000	
Representative of Dinghong Investment Co., Ltd.: Zheng Wen-xiang	390,022	390,022	
Representative of Dinghong Investment Co., Ltd.: Cai Xue-liang			
Representative of Dinghong Investment Co., Ltd.: Yuan Qi-bin			
Representative of Dinghong Investment Co., Ltd.: Lai Ru-ding			
Representative of Dingcheng Investment Co., Ltd.: Zeng Hui-juan	7,314,925	7,314,925	
Chen Shui-jin	0	0	Independent Director
Chen Jian-nan	0	0	Independent Director
Li Zong-ying	0	0	Independent Director
Zhuang Wen-jing	0	0	Independent Director
Total	75,522,415	75,952,415	

Note: The Company had simultaneously elected more than 2 independent directors.
Shareholding ratio of all directors other than independent directors calculated by rates is decrease to 80%.

3. Information on the proposals of the shareholders holding more than one percent of the total shares issued by Merida:

(1) In accordance with Article 172-1 of the Company Act, the shareholders' meeting shall accept proposals by shareholders from March 28th, 2021 to April 7th, 2021, which has been announced on the Market Observation Post System in accordance with the laws.

(2) During the aforesaid period, the Company received no proposals by shareholders holding one percent or above of the Company's outstanding shares.

4. Information on Nominations by Shareholders Holding One Percent or Above Outstanding Shares of Merida a:

(1) In accordance with Article 192-1 of the Company Act, the shareholders' meeting shall accept director candidate nominations by shareholders from March 28th, 2021 to April 7th, 2021, which has been announced on the Market Observation Post System in accordance with the laws.

(2) During the aforesaid period, the Company received no nominations by shareholders holding one percent or above of the Company's outstanding shares.

Rules of Procedure for Shareholders' Meeting

- Article1 Unless otherwise provided by statutes or articles of incorporation, the shareholder's meeting of the Company shall be held in line with this regulation.
- Article2 Shareholders (or their agents) of the Company are asked to wear attendance cards, where the number of equities is calculated by sign-in cards handed over in time of sign-in in addition to the shares of voting right exercised by written form or electronic way.
- Article3 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for each share.
- Article4 The shareholder's meeting of the Company shall be convened in the venue where the Company is located or where is conducive for the shareholders to attend and suitable for the shareholders to convene.
- Article5 If the board of directors convenes the shareholders' meeting, the president shall be the chairperson. When the president asks for leave or cannot carry out the duty for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act.
If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson.
- Article6 The company may designate the appointed lawyer, accountant or relevant personnel to attend the shareholders' meeting as a nonvoting delegate.
- Article7 The meeting affairs personnel who handle the shareholders' meeting shall wear badge or armband.
- Article8 The Company shall make an audio or video record of the whole course of the shareholders' meeting and keep it at least for 1 year.
- Article9 When the meeting time comes, the chairperson shall declare to start the meeting. However, when the shareholders representing no more than half of the total issued shares attend, the chairperson may declare postpone the meeting. It cannot be postponed more than twice, and the total postponed time cannot exceed 1 hour. When the meeting is postponed twice, the quota is still insufficient and shareholders representing one third of total issued shares have attended, tentative resolution may be made in line with Paragraph 1, Article 175 in the Company Act.
Before the end of the meeting, if the number of shares represented by attended shareholders has reached more than half of the total issued shares, the chairperson may resubmit the tentative resolution to the general meeting for voting in line with Article 174 of the Company Act.
- Article10 If the shareholders' meeting is convened by board of directors, the agenda shall be set by board of directors. The meeting shall be carried out in line with scheduled agenda and cannot be changed without resolution of the shareholders' meeting.
If the shareholders' meeting is convened by convener other than board of directors, the provisions of preceding paragraph apply

mutatis mutandis. Before the end of procedure (including extempore motion) for the agenda scheduled in preceding 2 paragraphs, the chairperson cannot declare the meeting adjourned without resolution.

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

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

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

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

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

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

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

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

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

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

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

Article17 When the Company holds shareholders' meeting, the voting rights shall be exercised by electronic way and may be exercised by written form. When the voting right is exercised by written form or electronic way, the exercising way shall be specified in the convening notice of shareholders' meeting. The shareholders exercising voting right by written form or electronic way are deemed

to attend shareholders' meeting in person. However, regarding the amendment of extempore motion and original motion, they are deemed as abstention, so it is proper for the Company to avoid submitting the amendment of extempore motion and original motion.

Regarding the exercising of voting right by written form or electronic way in the preceding paragraph, the expression of intent shall be delivered to the company 2 days before the convening of shareholders' meeting. When the expression of intent is repetitive, the earliest service shall prevail, except that the former expression of intent is declared to be revoked.

After the shareholders exercise voting right by written form or electronic way, those who want to attend shareholders' meeting in person shall revoke the expression of intent for exercising voting right in the preceding paragraph by the same way as exercising voting right 2 days before convening the shareholders' meeting. If the revocation is overdue, the voting right exercised by written form or electronic way shall prevail. If voting right is exercised by written form or electronic way and agent is entrusted by proxies to attend the shareholders' meeting, the voting right exercised by entrusted attended agent shall prevail.

The voting of motion, unless otherwise provided by the Company Act and articles of incorporation, shall pass under the consent of half of the attended shareholders with voting rights. In time of voting, the chairperson or the designated personnel shall announce the total number of voting rights. The shareholders shall vote and on the day after the convening of shareholders' meeting, results of shareholders' consent, objection and abstention are input into market observatory post system. However, if the chairperson queries all attended shareholders for motion with no objection as the result, it is deemed adoption. Its validity is the same as voting. In case of objection (including exercising voting right to object or abstain from voting by written form or electronic form) the way of voting shall be adopted to decide.

When the same motion has amendment or substituted motion, the chairperson set the order of voting together with the original motion. If one motion among them has been approved, other motions are deemed veto and there is no need for voting any more.

The chairperson shall appoint the vote monitoring and counting personnel for motion voting, but the vote monitoring personnel shall be one of the shareholders.

The voting counting work of shareholders' meeting voting or election motion shall be done at the public place in the shareholders' meeting venue. Moreover, after the vote counting is completed, the voting result shall be announced on the spot, including the statistical weight, and records shall be made.

Article18 The chairperson may direct the picket (or security) to help maintain order of meeting place. The picketer (or security) who helps maintaining order on site shall wear the armband with the word

“picketer”.

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

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

Articles of Incorporation for Merida Industry Co., Ltd.

Chapter 1 General

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

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

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

Article 3 Head Office of the Company is located in Changhua County, Taiwan Province. Board of directors may resolve to set up branches at home and abroad when necessary.

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

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

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

Chapter 2 Shares

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

stocks.

Article 7-1 (Deleted)

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

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

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

Chapter 3 Shareholders' Meeting

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

1. Regular meeting is convened once every year, held within 6 months after the end of every fiscal year.
2. Interim meeting shall be convened in line with relevant decrees when necessary.

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

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

Article 14 The chairperson shall serve as the chairperson of the shareholders' meeting convened by the board of directors. When the chairperson asks for leave or cannot exercise functions and powers

for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act. If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson. When there are more than 2 conveners, one person among them shall be elected as the chairperson.

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

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

Article 17 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting, ratified financial statements, and the resolutions on the surplus earning distribution and/or the loss offsetting shall be effected by means specified in the Company Act.

Chapter 4 Board of Directors

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

comply with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" by the Financial Supervisory Commission.

Article18-1 The Company sets up Audit Committee in line with provisions of Article 14-4 of Securities Exchange Act, formed by all independent directors. Exercising of function and power and relevant matters regarding Audit Committee and its members are handled by provisions of relevant decrees of competent authority of securities.

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

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

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

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

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

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

Article23 Chairperson serves as chairperson of board of directors. When the chairperson asks for leave or cannot exercise functions and powers for some reason, it shall be handled in accordance with Article 208 of the Company Act.

Article24 When board of directors holds meeting, directors shall attend in person. When directors cannot attend for special affairs, they may present proxies, specifying authorization scope and entrusting one other director as agent to attend. Directors who dwell abroad may entrust other shareholders dwelling domestically in writing to attend board of directors frequently on their behalf. However, they shall apply for registration to competent authority, which applies to change thereto. If board meeting is held by video conferencing, directors who participate in the meeting by video are deemed as attend in person.

Article25 The resolution of board meeting shall be done with attendance of over half of directors and consent by over half of attended directors unless otherwise provided by the Company Act. The procedure of board meeting shall be made into minute book that shall be signed or sealed by chairperson and recorder. The minute book shall be distributed to each director and supervisor within 20 days after the meeting. The minute book can be made and distributed by electronic way and shall be kept forever in the period of the Company's existence.

Article26 The Company may purchase liability insurance for directors' compensation liability that shall be borne in their business execution scope according to the laws during their tenure of office.

Article 26-1 The Company may establish functional committees under the Board of Directors. The number, term of office, and powers of the committee members shall be specified in the organizational rules of respective committee, and shall be subject to the resolution made by the board meeting before implementation.

Chapter 5 Manager and Staff

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

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

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

Chapter 6 Accounting

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

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

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

Chapter 7 Others

Article32 If the Company has earned annual profit, no less than 5% shall be allocated for remuneration of employees and no more than 5% for remuneration of directors. However, if the company still has cumulative loss, make-up amount shall be retained in advance. Employees' remuneration may be given by shares or cash and directors' remuneration shall be given by cash. It shall be done by the board of directors with more than two thirds of directors' attendance and the consent resolution by over half of attended directors and shall be reported to shareholders' meeting. The objects granted with employee remuneration may include employees of subsidiary companies that comply with certain conditions, setting of which is decided by board of directors.

Article33 Regarding net profit after the annual final accounts, in addition to paying profit-seeking enterprise income tax according to the laws and making up loss of previous years, 10% from the balance shall be allocated as legal reserve. However, when legal reserve has reached the Company's paid-in capital, it will not be allocated anymore and we shall allocate or reverse special reserve according to the laws. If there is still surplus, add cumulative undistributed earnings in previous years and make them distributable earnings. Board of directors drafts earning distribution motion and submits to shareholders' meeting to resolve for apportioning shareholders dividends and bonus. Shareholders' total dividends shall be 10% to 80% of distributable earnings in that year. Wherein, cash dividends shall not be less than 10% of shareholders' total dividends.

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

besides independent directors, remuneration shall be distributed in accordance with Article 32 otherwise.

Chapter 8 Supplementary Provisions

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

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

Article37 The articles of incorporation were formulated on September 8, 1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994. It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June 26, 2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018. It was amended for the 43rd time on June 24, 2020.

Merida Industry Co., Ltd.

Rules for Election of Directors

Article 1 Unless otherwise provided in the laws and regulations or the Articles of Incorporation of the Company, the directors of this Company shall be elected in accordance with the rules specified herein.

Article 2 The election of directors shall adopt a cumulative voting system with disclosed ballots. The attendance number on the ballot may be regarded as the name of the voter. Unless otherwise provided in the Articles of Incorporation of the Company, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. The election shall adopt the nomination system as specified in Article 192-1 of the Company Act, where the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

Article 3 In the election of directors of the Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. When a person serving as director is in violation of paragraph 3, Article 26-3 of the Securities and Exchange Act, that person shall be subject to ipso facto dismissal.

Article 4 At the beginning of the election, the Chairman shall appoint vote monitoring and counting personnel, provided that all monitoring personnel shall be shareholders of the Company. The ballot box used for voting shall be prepared by the Board of Directors and checked in public by the monitoring personnel before voting.

Article 5 Ballots shall be printed and issued by the Company and shall be numbered by the attendance number.

Article 6 If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column; when there are multiple representatives, the name of every representative shall be filled in.

Article 7 Ballots shall be deemed void under any of the following conditions:

- (1) Ballots not made pursuant to these rules.
- (2) Blank ballots not completed by the voter;
- (3) Illegible writing;
- (4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is inconsistent after verification;
- (5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (6) The name of the candidates filled in the ballots being the same as another candidate's name, without indicating the respective shareholder's numbers (ID numbers) to distinguish between the two; or
- (7) Two or more candidates are written on one ballot.

Article 8 In the event of any doubts regarding a ballot, the monitoring personnel shall verify whether it is invalid. The invalid ballot shall be placed separately. The ballots should be calculated during the meeting right after the vote casting, and after the ballots are verified by the monitoring personnel. The results of the election should be announced by the Chairman or the personnel appointed by the Chairman at the meeting.

Article 9 The directors elected shall fill in the "Consent to Act as Director," and the Company shall register with the competent authority for the directors to take office. Those who fail to submit the Consent on time shall be deemed unwilling to take office and have waived their qualifications.

Article 10 Matters not specified in these Rules shall be handled in accordance with relevant laws and regulations such as the Company Act and the Company's Articles of Incorporation.

Article 11 These Rules shall take effect after having been approved by the shareholders meeting on May 21, 1990. The first amendment was made on June 15, 1998. The second amendment was made on June 25, 2002. The third amendment was made on June 23, 2006. The fourth amendment was made on June 26, 2009. The fifth amendment was made on June 26, 2014. The sixth amendment was made on June 26, 2018. The seventh amendment was made on June 24, 2020.

Zeng Songzhu, Chairman