

Common Stock Code : 9914

Merida Industry Co., Ltd.

Handbook

for the 2023 Annual Meeting of
Shareholders

June 28, 2023

Merida Industry Co. Ltd.

2023 Annual Shareholders' Meeting

Convening Manner: Physical-Only Meeting

Date & Time: June 28th 2023 (Wednesday) at 9:30AM

Location: No. 116, Meigang Rd., Meigang Vil., Dacun Township, Changhua County 515, Taiwan (Meeting Room R02 on 4F of the Company's Merida Building)

Agenda:

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Matters for Report

1. Distribution Report of Employees' Compensation and Directors' Compensation for the 2022 Fiscal Year:

- (1) Handled in accordance with Article 32 of the Company's Articles of Incorporation.
- (2) The Company's profit before tax prior to deduction of employees' remuneration and directors' remuneration is NTD 4,700,148,185. The Company has set aside 6% of its profit at NTD 282,008,891 for employees' remuneration and 2.6% of its profit at NTD 122,203,853 for directors' remuneration, which shall be distributed in cash.

2. Business Report of 2022:

Merida Industry Co. Ltd. Business Report for the Year 2022

According to the statistics issued by Taiwan Bicycle Association (TBA), the total quantity and sales volume by the entire Taiwanese bicycle industry, electrical power assist bicycle (hereinafter “electrical bicycle”) and conventional bicycles (hereinafter “bicycle”) increased YoY by 0.6% and 20.6%, respectively, indicating the progressive release of restrictions from the COVID-19 pandemic lockdown in the previous year (2022) affecting the industry. The Company strived for continued growth in overall export volume and amount surpassing the base period figures even affected by variants (deficiencies in materials, hindered shipments, adjustments to orders, etc.).

In 2022, the Company’s premium bicycle marketed in self-owned brand showed gains in quantity of units sold and sales volume in China by 48.4% and 49.1% YoY, respectively; in the meantime, our Taiwanese plant focusing on supplying the premium bicycles to Europe and America introduced the SAP system and managed to enhance production efficiency and adjust product matrix, leading to increases in the export of electrical bicycles at 31.4% YoY in units and 56.4% YoY in amount; the annual consolidated and parent-company only [refers to Taiwanese plant] came in, respectively, 1.306 million units and 0.769 million units (incl. electrical bicycle at approx. 0.333 million units), contributing to annual increase by 15.0% and 7.2% YoY; the annual consolidated and parent-only revenues were NTD 37 billion and 31.98 billion, respectively, indicating an annual increase of 25.9% and an annual increase of 36.4%. With the advent of post-pandemic era following ease of lockdown measures, employees of the group yielded an all-out effort and once again recorded a historic annual consolidated revenue under the influences of supply chain, hindered shipments and adjustment to market orders!

We truly appreciate the support by all our shareholders and directors, as well as the hard work and efforts of all employees!

The consolidated and standalone operating conditions of the Company for the year 2022 are hereby reported as follows:

(1) Implementation Results of the Business Plans

Unit: 10,000 Units

Item	Forecast	Actual	Fill Rate
Consolidated	145	131	90.34%
Standalone	102	77	75.49%

(2) Implementation Conditions
1. Consolidated

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

Item \ Year	Year		YoY	
	2022	2021		
Sales	130.66	113.59	17.07	15.03%
Net Sales Revenue	\$37,003,082	\$29,391,183	7,611,899	25.90%
Operating Cost	30,611,767	25,304,229	5,307,538	20.97%
Operating Margin	6,391,315	4,086,954	2,304,361	56.38%
Realized (Unrealized) Gain on Sales	(695,472)	(186,834)	(508,638)	272.24%
Net Operating Margin	5,695,843	3,900,120	1,795,723	46.04%
Operating Expenses	2,258,378	2,310,744	(52,366)	(2.27%)
Net Operating Profit	3,437,465	1,589,376	1,848,089	116.28%
Non-Operating Income and (Expense)	1,060,381	4,615,377	(3,554,996)	(77.03%)
Net Profit before Tax	4,497,846	6,204,753	(1,706,907)	(27.51%)
Current Net Profit	3,454,418	4,788,170	(1,333,752)	(27.86%)

2. Standalone

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

Item \ Year	Year		YoY	
	2022	2021		
Sales	76.92	71.78	5.14	7.16%
Net Sales Revenue	\$31,977,115	\$23,434,868	8,542,247	36.45%
Operating Cost	27,496,751	21,324,979	6,171,772	28.94%
Operating Margin	4,480,364	2,109,889	2,370,475	112.35%
Realized (Unrealized) Gain on Sales	(907,106)	(186,227)	(720,879)	387.10%
Net Operating Margin	3,573,258	1,923,662	1,649,596	85.75%
Operating Expenses	816,025	947,720	(131,695)	(13.90%)
Net Operating Profit	2,757,233	975,942	1,781,291	182.52%
Non-Operating Income and (Expense)	1,538,702	4,914,788	(3,376,086)	(68.69%)
Net Profit before Tax	4,295,935	5,890,730	(1,594,795)	(27.07%)
Current Net Profit	3,389,063	4,649,502	(1,260,439)	(27.11%)

(3) Profitability Analysis

1. Consolidated

Item	2022	2021	YoY
Return on Assets	9.01%	14.81%	(39.16%)
Return on Equity	17.24%	27.09%	(36.36%)
Operating Profit to Paid-In Capital	114.97%	53.16%	116.27%
Profit before Tax to Paid-In Capital	150.44%	207.53%	(27.51%)
Profit Margin	9.34%	16.29%	(42.66%)
Earnings per Share (NTD)	11.34	15.55	(27.07%)

2. Standalone

Item	2022	2021	YoY
Return on Assets	9.62%	15.92%	(39.57%)
Return on Equity	17.68%	27.52%	(35.76%)
Operating Profit to Paid-In Capital	92.22%	32.64%	182.54%
Profit before Tax to Paid-In Capital	143.68%	197.03%	(27.08%)
Profit Margin	10.60%	19.84%	(46.57%)
Earnings per Share (NTD)	11.34	15.55	(27.07%)

(4) R&D Status

- 1 “Road Bike SCULTURA 5 TEAM” was awarded “TAIPEI CYCLE d&i Gold Award”, top accolade in the Taipei Cycle Show 2022.
- 2 “MTB Full Suspension ONE-SIXTY” was awarded “TAIPEI CYCLE d&i Gold Award” , top accolade in the Taipei Cycle Show 2023 and “Gear of the Year 2022” by international mountain bike press Pinkbike.
- 3 “Road Race SCULTURA TEAM” was awarded “BIKE OF THE YEAR 2022” by international press BikeRadar and Silver Award in the 31st (2023) Taiwan Excellence Award.
- 4 “Trail Bike BIG TRAIL 600” was cited as the “Best Mountain Bike of 2022” by the international press MBR.
- 5 “eONE-SIXTY 975” was rated top in the “BEST IN TEST 2022”, the electric assisted mountain bike test organized by professional press E-Mountainbike Magazine.

3. Final Accounts and Financial Statements of 2022 Reviewed by the Audit Committee:

Audit Committee Review Report

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

To
2023 Annual Shareholders' Meeting

Merida Industry Co. Ltd.

Convener of the Audit Committee:
Chen, Shui-Jin

Chen Shui-jin

March 29, 2023

4. Endorsement and Guarantee to Others:

As of December 31, 2022, the Company's endorsement and guarantee to others is as follows:

Unit: NTD and Foreign Currency in Thousands

Endorsed Entities	Maximum Amount of Endorsement & Guarantee to a Single Enterprise	Ending Endorsement & Guarantee Balance	Actual Disbursement	Maximum Amount for Endorsement & Guarantee	Nature of Guarantee
MERIDA BICYCLES LIMITED (UK)	\$6,175,106	EUR 500	-	\$10,291,843	Banker's Letter of Credit Guarantee
		GBP 6,000	-		Short-Term Loan Guarantee
MERIDA & CENTURION GERMANY GMBH (DE)	6,175,106	EUR 2,500	EUR 2,100		Banker's Letter of Credit Guarantee
		EUR 3,500	EUR 3,500		Short-Term Loan Guarantee
		EUR 21,000	EUR 19,200		Mid-to-Long-Term Loan Guarantee
MERIDA BICYCLE (JIANGSU) CO., LTD.	6,175,106	RMB 210,000	RMB 141,135		Mid-to-Long-Term Loan Guarantee
MERIDA BICYCLE (China) CO., LTD.	6,175,106	RMB 100,000	-	Mid-to-Long-Term Loan Guarantee	

Proposed Resolutions

Case 1: Business Report of 2022 and Parent-Only and Consolidated Financial Statements. (Proposed by the Board)

Explanation: The Company's Business Report of 2022 and Parent-Company Only and Consolidated Financial Statements have been reviewed and adopted in the 10th Meeting of the Company's 2nd Audit Committee and have been adopted by resolution in the Company's 3rd Board of Directors meeting in 2023. Business Report is attached in pages 3~5 of this Meeting Agenda, and Parent-Only and Consolidated Financial Statements are attached in pages 9~28 of this Meeting Agenda. For your ratification:

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, 2022 and 2021, and 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. 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, 2022 is as follows:

Revenue Recognition

The Corporation's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. Since revenue from the export sale of e-bikes for the year ended December 31, 2022 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 include the following:

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

Other Matter

We did not audit the part of the investments accounted for using the equity method that were evaluated in the financial statements, which is related to different financial reporting structures. This part has been reviewed by other accountants in accordance with different auditing standards. We have applied all necessary audit procedures on the conversion adjustments made to the financial statements of the Group, and in our opinion, such financial statements present fairly and are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS). In our opinion, the amounts relating to the abovementioned adjusted financial statements are based on the reports of other auditors and are the results of additional audit procedures performed in order to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. The balance of the long-term investments accounted for using the equity method was NT\$18,650,181 thousand and NT\$17,065,507 thousand, accounting for 48% and 53% of the Group's consolidated total assets as of December 31, 2022 and 2021, respectively. The share of profit of associates was NT\$640,985 thousand and NT\$4,336,070 thousand, accounting for 15% and 74% of the Group's consolidated net income before tax for the years ended December 31, 2022 and 2021, 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2023

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

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 3,806,629	10	\$ 1,502,477	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	502,705	1	644,638	2
Notes receivable (Notes 4 and 20)	159	-	16,696	-
Trade receivables (Notes 4, 8 and 20)	304,490	1	80,906	-
Trade receivables from related parties (Notes 4, 8, 20 and 26)	4,642,705	12	1,680,325	6
Other receivables (Notes 4 and 26)	163,005	1	92,457	-
Inventories (Notes 4 and 9)	5,570,946	14	5,211,267	16
Other current assets	<u>138,470</u>	-	<u>543,288</u>	<u>2</u>
Total current assets	<u>15,129,109</u>	<u>39</u>	<u>9,772,054</u>	<u>31</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	92,620	-	92,620	-
Investments accounted for using the equity method (Notes 4 and 11)	22,393,347	57	20,960,030	65
Property, plant and equipment (Notes 4 and 12)	965,439	3	971,424	3
Right-of-use assets (Notes 4 and 13)	39,530	-	2,459	-
Investment properties (Notes 4 and 14)	-	-	34,739	-
Intangible assets (Notes 4 and 15)	41,495	-	13,202	-
Deferred tax assets (Notes 4 and 22)	322,057	1	134,832	1
Prepayments for equipment	2,100	-	55,073	-
Other non-current assets (Note 4)	<u>5,124</u>	-	<u>4,391</u>	-
Total non-current assets	<u>23,861,712</u>	<u>61</u>	<u>22,268,770</u>	<u>69</u>
TOTAL	<u>\$ 38,990,821</u>	<u>100</u>	<u>\$ 32,040,824</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 16)	\$ 4,446,638	12	\$ 2,165,706	7
Contract liabilities - current (Notes 4, 20 and 26)	2,058,954	5	2,413,939	8
Trade payables	5,045,411	13	3,941,737	12
Trade payables to related parties (Note 26)	144,528	-	73,118	-
Other payables (Note 17)	1,127,013	3	796,120	2
Current tax liabilities (Notes 4 and 22)	928,910	2	328,947	1
Lease liabilities - current (Notes 4 and 13)	19,867	-	1,370	-
Other current liabilities	<u>4,370</u>	-	<u>14,871</u>	-
Total current liabilities	<u>13,775,691</u>	<u>35</u>	<u>9,735,808</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	4,453,152	12	4,346,780	14
Lease liabilities - non-current (Notes 4 and 13)	20,300	-	1,029	-
Net defined benefit liabilities (Notes 4 and 18)	103,937	-	160,637	1
Guarantee deposits received	1	-	267	-
Credit balance of investments accounted for using the equity method (Notes 4 and 11)	<u>54,055</u>	-	<u>41,053</u>	-
Total non-current liabilities	<u>4,631,445</u>	<u>12</u>	<u>4,549,766</u>	<u>15</u>
Total liabilities	<u>18,407,136</u>	<u>47</u>	<u>14,285,574</u>	<u>45</u>
EQUITY				
Ordinary shares	2,989,838	8	2,989,838	9
Capital surplus				
Share premium from issuance of ordinary shares	416,290	1	416,290	1
Retained earnings				
Legal reserve	3,595,669	9	3,135,227	10
Special reserve	2,464,786	7	1,674,362	5
Unappropriated earnings	11,783,296	30	12,004,319	38
Other equity	<u>(666,194)</u>	<u>(2)</u>	<u>(2,464,786)</u>	<u>(8)</u>
Total equity	<u>20,583,685</u>	<u>53</u>	<u>17,755,250</u>	<u>55</u>
TOTAL	<u>\$ 38,990,821</u>	<u>100</u>	<u>\$ 32,040,824</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 30, 2023)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 20 and 26)	\$ 31,977,115	100	\$ 23,434,868	100
COST OF GOODS SOLD (Notes 9, 21 and 26)	<u>27,496,751</u>	<u>86</u>	<u>21,324,979</u>	<u>91</u>
GROSS PROFIT	4,480,364	14	2,109,889	9
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>(907,106)</u>	<u>(3)</u>	<u>(186,227)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>3,573,258</u>	<u>11</u>	<u>1,923,662</u>	<u>8</u>
OPERATING EXPENSES (Notes 21 and 26)				
Selling and marketing expenses	497,727	2	514,301	2
General and administrative expenses	<u>318,298</u>	<u>1</u>	<u>433,419</u>	<u>2</u>
Total operating expenses	<u>816,025</u>	<u>3</u>	<u>947,720</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>2,757,233</u>	<u>8</u>	<u>975,942</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 26)	31,877	-	20,409	-
Technical service and royalty income (Note 26)	121,290	1	79,556	-
Dividend income	2,015	-	1,854	-
Other income (Note 26)	81,645	-	63,983	-
Net foreign exchange gains (Notes 4 and 31)	361,381	1	155,223	1
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	72	-	(5,639)	-
Share of profit of subsidiaries and associates (Notes 4 and 11)	1,007,449	3	4,644,140	20
Interest expense	(33,368)	-	(10,491)	-
Other expenses (Note 21)	<u>(33,659)</u>	<u>-</u>	<u>(34,247)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,538,702</u>	<u>5</u>	<u>4,914,788</u>	<u>21</u>
PROFIT BEFORE INCOME TAX	4,295,935	13	5,890,730	25
INCOME TAX EXPENSE (Notes 4 and 22)	<u>906,872</u>	<u>3</u>	<u>1,241,228</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>3,389,063</u>	<u>10</u>	<u>4,649,502</u>	<u>20</u>

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 55,986	-	\$ (56,347)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(12,139)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(11,197)</u>	<u>-</u>	<u>11,269</u>	<u>-</u>
	<u>32,650</u>	<u>-</u>	<u>(45,078)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	2,034,673	7	(582,662)	(2)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>(236,081)</u>	<u>(1)</u>	<u>(207,761)</u>	<u>(1)</u>
	<u>1,798,592</u>	<u>6</u>	<u>(790,423)</u>	<u>(3)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,831,242</u>	<u>6</u>	<u>(835,501)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,220,305</u>	<u>16</u>	<u>\$ 3,814,001</u>	<u>16</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 11.34</u>		<u>\$ 15.55</u>	
Diluted	<u>\$ 11.26</u>		<u>\$ 15.48</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

MERIDA INDUSTRY CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 19)	Capital Surplus Share Premium from Issuance of Ordinary Shares (Note 19)	Retained Earnings (Note 19)			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2021	\$ 2,989,838	\$ 416,290	\$ 2,732,977	\$ 1,163,048	\$ 10,406,346	\$ (1,674,363)	\$ 16,034,136
Appropriation of 2020 earnings							
Legal reserve	-	-	402,250	-	(402,250)	-	-
Special reserve	-	-	-	511,314	(511,314)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,092,887)	-	(2,092,887)
Net profit for the year ended December 31, 2021	-	-	-	-	4,649,502	-	4,649,502
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(45,078)	(790,423)	(835,501)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,604,424	(790,423)	3,814,001
BALANCE AT DECEMBER 31, 2021	2,989,838	416,290	3,135,227	1,674,362	12,004,319	(2,464,786)	17,755,250
Appropriation of 2021 earnings							
Legal reserve	-	-	460,442	-	(460,442)	-	-
Special reserve	-	-	-	790,424	(790,424)	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,391,870)	-	(2,391,870)
Net profit for the year ended December 31, 2022	-	-	-	-	3,389,063	-	3,389,063
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	32,650	1,798,592	1,831,242
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,421,713	1,798,592	5,220,305
BALANCE AT DECEMBER 31, 2022	\$ 2,989,838	\$ 416,290	\$ 3,595,669	\$ 2,464,786	\$ 11,783,296	\$ (666,194)	\$ 20,583,685

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 4,295,935	\$ 5,890,730
Adjustments for:		
Depreciation expenses	105,971	70,812
Amortization expenses	13,123	3,038
Expected credit loss recognized on trade receivables	2,529	413
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	(72)	5,639
Interest expense	33,368	10,491
Interest income	(31,877)	(20,409)
Dividend income	(2,015)	(1,854)
Share of profit of subsidiaries and associates	(1,007,449)	(4,644,140)
Loss on disposal of property, plant and equipment	-	129
Gain on disposal of investment properties	(18,546)	-
Write-down of inventories	51,199	53,093
Unrealized gain on transactions with associates	907,106	186,227
Unrealized net loss (gain) on foreign currency exchange	9,740	(8,319)
Gain on lease modification	(3)	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	142,005	913,457
Notes receivable	16,537	(9,742)
Trade receivables	(3,193,474)	62,362
Other receivables	(51,593)	(4,680)
Inventories	(410,878)	(2,484,317)
Other current assets	404,818	(504,997)
Contract liabilities	(354,985)	2,253,911
Notes and trade payables	1,179,604	(669,379)
Other payables	326,422	90,629
Other current liabilities	(10,501)	11,235
Net defined benefit liabilities	(714)	(4,101)
Cash generated from operations	2,406,250	1,200,228
Interest received	12,922	19,109
Dividends received	468,496	6,819
Interest paid	(28,897)	(10,254)
Income tax paid	(398,959)	(144,265)
Net cash generated from operating activities	<u>2,459,812</u>	<u>1,071,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(46,438)	(25,019)
Increase in refundable deposits	(733)	(1,415)
Decrease in other receivables from related parties	-	62,339

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Payments for intangible assets	\$ (137)	\$ (2,008)
Payments for right-of-use assets	(700)	-
Payments for investments properties	-	(485)
Proceeds from disposal of investment properties	52,971	-
Increase in prepayments for equipment	<u>(22,259)</u>	<u>(39,161)</u>
Net cash used in investing activities	<u>(17,296)</u>	<u>(5,749)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	2,271,654	1,004,928
Refund of guarantee deposits received	(266)	-
Repayment of the principal portion of lease liabilities	(17,882)	(3,544)
Dividends paid to owners of the Corporation	<u>(2,391,870)</u>	<u>(2,092,887)</u>
Net cash used in financing activities	<u>(138,364)</u>	<u>(1,091,503)</u>
NET INCREASE (DECREASE) IN CASH	2,304,152	(25,615)
CASH AT THE BEGINNING OF THE YEAR	<u>1,502,477</u>	<u>1,528,092</u>
CASH AT THE END OF THE YEAR	<u>\$ 3,806,629</u>	<u>\$ 1,502,477</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion 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, 2022. 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, 2022 is as follows:

Revenue Recognition

The Group's sales revenue mainly comes from the manufacture and sale of bicycles, e-bikes, and bicycle components. Since revenue from the export sale of e-bikes for the year ended December 31, 2022 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 include the following:

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

Other Matter

We did not audit the part of the investments accounted for using equity method that were evaluated in the financial statements of the Group, which is related to different financial reporting structures. This part has been audited by other accountants in accordance with different auditing standards. We have applied all necessary audit procedures on the conversion adjustments made to the financial statements of the Group, and in our opinion, such financial statements present fairly and are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. In our opinion, the amounts relating to the abovementioned adjusted financial statements are based on the reports of other auditors and are the results of additional audit procedures performed in order to meet the relevant requirements of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. The balance of the long-term investments accounted for using the equity method was NT\$18,650,181 thousand and NT\$17,065,507 thousand, accounting for 44% and 48% of the Group's consolidated total assets as of December 31, 2022 and 2021, respectively. The share of profit of associates was NT\$640,985 thousand and NT\$4,336,070 thousand, accounting for 14% and 70% of the Group's consolidated net income before tax for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2023

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,424,569	13	\$ 3,684,856	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	502,705	1	644,638	2
Notes receivable (Notes 4 and 20)	159	-	16,797	-
Trade receivables (Notes 4, 8, 20 and 27)	868,663	2	520,922	2
Trade receivables from related parties (Notes 4, 8, 20 and 26)	2,978,685	7	1,540,677	4
Other receivables (Notes 4 and 26)	133,507	-	116,750	-
Inventories (Notes 4, 9 and 27)	10,235,049	24	7,726,125	22
Other current assets (Note 22)	282,754	1	771,328	2
Total current assets	20,426,091	48	15,022,093	43
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	3,400	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 12)	18,919,858	44	17,373,022	49
Property, plant and equipment (Notes 4, 13 and 27)	2,446,031	6	2,489,995	7
Right-of-use assets (Notes 4 and 14)	321,390	1	309,236	1
Investment properties (Notes 4 and 15)	-	-	34,739	-
Intangible assets	71,983	-	48,599	-
Deferred tax assets (Notes 4 and 22)	322,057	1	134,832	-
Prepayments for equipment	3,634	-	68,920	-
Other non-current assets (Note 4)	38,990	-	24,113	-
Total non-current assets	22,127,343	52	20,486,856	57
TOTAL	\$ 42,553,434	100	\$ 35,508,949	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 27)	\$ 5,014,511	12	\$ 2,799,115	8
Contract liabilities - current (Notes 4, 20 and 26)	2,079,008	5	2,413,939	7
Notes and trade payables	5,808,087	14	4,341,804	12
Trade payables to related parties (Note 26)	50,112	-	29,235	-
Other payables (Note 17))	1,019,598	2	1,126,240	3
Current tax liabilities (Notes 4 and 22)	975,011	2	412,493	1
Lease liabilities - current (Notes 4 and 14)	57,494	-	38,177	-
Current portion of long-term bank loans (Notes 16 and 27)	207,030	1	104,276	-
Other current liabilities	15,642	-	82,160	-
Total current liabilities	15,226,493	36	11,347,439	31
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 4, 16 and 27)	1,195,246	3	997,057	3
Deferred tax liabilities (Notes 4 and 22)	4,453,152	10	4,346,780	12
Lease liabilities - non-current (Notes 4 and 14)	55,179	-	58,798	-
Net defined benefit liabilities (Notes 4 and 18)	103,937	-	160,637	1
Guarantee deposits received	24,808	-	26,514	-
Total non-current liabilities	5,832,322	13	5,589,786	16
Total liabilities	21,058,815	49	16,937,225	47
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,989,838	7	2,989,838	9
Capital surplus				
Share premium from issuance of ordinary shares	416,290	1	416,290	1
Retained earnings				
Legal reserve	3,595,669	8	3,135,227	9
Special reserve	2,464,786	6	1,674,362	5
Unappropriated earnings	11,783,296	28	12,004,319	34
Other equity	(666,194)	(1)	(2,464,786)	(7)
Total equity attributable to owners of the Corporation	20,583,685	49	17,755,250	51
NON-CONTROLLING INTERESTS	910,934	2	816,474	2
Total equity	21,494,619	51	18,571,724	53
TOTAL	\$ 42,553,434	100	\$ 35,508,949	100

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 20 and 26)	\$ 37,003,082	100	\$ 29,391,183	100
COST OF GOODS SOLD (Notes 9, 21 and 26)	<u>30,611,767</u>	<u>83</u>	<u>25,304,229</u>	<u>86</u>
GROSS PROFIT	6,391,315	17	4,086,954	14
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES (Note 4)	<u>(695,472)</u>	<u>(2)</u>	<u>(186,834)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>5,695,843</u>	<u>15</u>	<u>3,900,120</u>	<u>13</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	1,180,666	3	1,083,798	4
General and administrative expenses	<u>1,077,712</u>	<u>3</u>	<u>1,226,946</u>	<u>4</u>
Total operating expenses	<u>2,258,378</u>	<u>6</u>	<u>2,310,744</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>3,437,465</u>	<u>9</u>	<u>1,589,376</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 26)	43,426	-	23,906	-
Dividend income	2,015	-	1,854	-
Other income (Note 26)	125,184	-	113,169	-
Net foreign exchange gains (Notes 4 and 31)	391,874	1	160,694	1
Loss on fair value changes of financial assets at fair value through profit or loss (Note 4)	(528)	-	(5,639)	-
Share of profit of associates (Notes 4 and 12)	623,962	2	4,393,265	15
Interest expense	(77,435)	-	(47,422)	-
Other expenses	<u>(48,117)</u>	<u>-</u>	<u>(24,450)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,060,381</u>	<u>3</u>	<u>4,615,377</u>	<u>16</u>
PROFIT BEFORE INCOME TAX	4,497,846	12	6,204,753	21
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,043,428</u>	<u>3</u>	<u>1,416,583</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>3,454,418</u>	<u>9</u>	<u>4,788,170</u>	<u>16</u>

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 55,986	-	\$ (56,347)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(12,139)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(11,197)	-	11,269	-
	<u>32,650</u>	<u>-</u>	<u>(45,078)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	2,066,927	6	(651,307)	(2)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(236,081)	(1)	(207,761)	(1)
	<u>1,830,846</u>	<u>5</u>	<u>(859,068)</u>	<u>(3)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,863,496</u>	<u>5</u>	<u>(904,146)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,317,914</u>	<u>14</u>	<u>\$ 3,884,024</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,389,063	9	\$ 4,649,502	16
Non-controlling interests	<u>65,355</u>	<u>-</u>	<u>138,668</u>	<u>-</u>
	<u>\$ 3,454,418</u>	<u>9</u>	<u>\$ 4,788,170</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,220,305	14	\$ 3,814,001	13
Non-controlling interests	<u>97,609</u>	<u>-</u>	<u>70,023</u>	<u>-</u>
	<u>\$ 5,317,914</u>	<u>14</u>	<u>\$ 3,884,024</u>	<u>13</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 11.34</u>		<u>\$ 15.55</u>	
Diluted	<u>\$ 11.26</u>		<u>\$ 15.48</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation					Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests (Note 11)	Total Equity
	Ordinary Shares (Note 19)	Capital Surplus Share Premium from Issuance of Ordinary Shares (Note 19)	Retained Earnings (Note 19)						
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2021	\$ 2,989,838	\$ 416,290	\$ 2,732,977	\$ 1,163,048	\$ 10,406,346	\$ (1,674,363)	\$ 16,034,136	\$ 746,451	\$ 16,780,587
Appropriation of 2020 earnings									
Legal reserve	-	-	402,250	-	(402,250)	-	-	-	-
Special reserve	-	-	-	511,314	(511,314)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,092,887)	-	(2,092,887)	-	(2,092,887)
Net profit for the year ended December 31, 2021	-	-	-	-	4,649,502	-	4,649,502	138,668	4,788,170
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(45,078)	(790,423)	(835,501)	(68,645)	(904,146)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,604,424	(790,423)	3,814,001	70,023	3,884,024
BALANCE AT DECEMBER 31, 2021	2,989,838	416,290	3,135,227	1,674,362	12,004,319	(2,464,786)	17,755,250	816,474	18,571,724
Appropriation of 2021 earnings									
Legal reserve	-	-	460,442	-	(460,442)	-	-	-	-
Special reserve	-	-	-	790,424	(790,424)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,391,870)	-	(2,391,870)	(3,149)	(2,395,019)
Net profit for the year ended December 31, 2022	-	-	-	-	3,389,063	-	3,389,063	65,355	3,454,418
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	32,650	1,798,592	1,831,242	32,254	1,863,496
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,421,713	1,798,592	5,220,305	97,609	5,317,914
BALANCE AT DECEMBER 31, 2022	\$ 2,989,838	\$ 416,290	\$ 3,595,669	\$ 2,464,786	\$ 11,783,296	\$ (666,194)	\$ 20,583,685	\$ 910,934	\$ 21,494,619

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 4,497,846	\$ 6,204,753
Adjustments for:		
Depreciation expenses	310,934	274,758
Amortization expenses	18,623	10,170
Expected credit loss recognized on trade receivables	10,666	6,466
Net loss on fair value changes of financial assets at fair value through profit or loss	528	5,639
Interest expense	77,435	47,422
Interest income	(43,426)	(23,906)
Dividend income	(2,015)	(1,854)
Share of profit of associates	(623,962)	(4,393,265)
Loss on disposal of property, plant and equipment	747	484
Gain on disposal of investment properties	(18,546)	-
Write-down of inventories	37,414	58,283
Unrealized gain on transactions with associates	695,472	186,834
Unrealized net loss (gain) on foreign currency exchange	9,691	(8,283)
Gain on lease modification	(3)	(1,417)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	141,404	913,457
Notes receivable	16,632	(9,849)
Trade receivables	(1,794,258)	(267,799)
Other receivables	(53,501)	(4,397)
Inventories	(2,421,032)	(2,943,460)
Other current assets	451,971	(633,103)
Contract liabilities	(334,931)	2,253,911
Notes and trade payables	1,483,275	(663,673)
Other payables	(116,469)	64,860
Other current liabilities	(66,737)	17,280
Net defined benefit liabilities	(714)	(4,101)
Cash generated from operations	2,277,044	1,089,210
Interest received	39,009	19,405
Dividends received	15,966	6,819
Interest paid	(72,057)	(46,176)
Income tax paid	(529,604)	(281,557)
Net cash generated from operating activities	<u>1,730,358</u>	<u>787,701</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(108,405)	(94,376)
Proceeds from disposal of property, plant and equipment	144	944
Increase in refundable deposits	(1,086)	(860)

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Payments for intangible assets	\$ (673)	\$ (3,051)
Payments for investment properties	-	(485)
Payments for right-of-use assets	(700)	-
Proceeds from disposal of investment properties	52,971	-
Decrease (increase) in other non-current assets	(13,604)	1,847
Increase in prepayments for equipment	<u>(31,000)</u>	<u>(56,648)</u>
Net cash used in investing activities	<u>(102,353)</u>	<u>(152,629)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	2,198,053	1,199,410
Proceeds from long-term bank loans	316,065	329,438
Repayments of long-term bank loans	(49,938)	(171,827)
Refund of guarantee deposits received	(1,015)	(306)
Repayment of the principal portion of lease liabilities	(56,274)	(46,055)
Dividends paid to owners of the Corporation	<u>(2,395,019)</u>	<u>(2,092,887)</u>
Net cash generated from (used in) financing activities	<u>11,872</u>	<u>(782,227)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>99,836</u>	<u>(99,011)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,739,713	(246,166)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,684,856</u>	<u>3,931,022</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,424,569</u>	<u>\$ 3,684,856</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

Case 2: Earnings Distribution of 2022. (Proposed by the Board)

Explanation: In accordance with the Company Act and the Company's Articles of Incorporation, the Company has prepared as follows the Table for Earnings Distribution for the year 2022, which has been reviewed and adopted in the 10th Meeting of the Company's 2nd Audit Committee and has been adopted by resolution in the Company's 3rd Board of Directors meeting in 2023. For your ratification:

Merida Industry Co. Ltd.
Table for Earnings Distribution
for the Year 2022

	<u>Unit: NTD</u>
Beginning Undistributed Earnings	\$8,361,583,758
Add: 2022 Net Income after Tax	\$3,389,063,151
Less: Adjustment to Retained Earnings with Investments using Equity Method	12,139,420
Add: Remeasurement of Defined Benefit Plans as Retained Earnings	<u>44,788,800</u>
Amount Recognized as Current Undistributed Earnings from Current Net Profit after Tax Added with Non-Current Profit Items	3,421,712,531
Less: Legal Reserve	342,171,253
Less: Special Reserve-Other Equity	<u>1,798,592,406</u>
Current Distributable Earnings	\$13,239,717,442
Distributions:	
Cash Dividend-NTD 7 per Share	<u>2,092,886,600</u>
Ending Undistributed Earnings (Retaining Beginning Undistributed Earnings)	<u><u>\$11,146,830,842</u></u>

1. Shareholders' Dividend: Calculated on basis of the Company's outstanding shares at 298,983,800 shares, each common share holder will be entitled to receive a cash dividend of NTD 7 per share. The dividend totaling at NTD 2,092,886,600 will be distributed fully in cash in the unit of NTD (portions lower than NTD 1 will be rounded off). Fractional shares will be recognized as the income of the Company's Employees' Welfare Committee. The Board of Directors is authorized to set up ex-dividend date and other associated follow-up, once the shareholder's meeting approves this proposal by resolution.
2. Concerning this earnings distribution, where there is change to total number of outstanding shares of the Company due to any reason, the Company shall submit to the regular shareholders' meeting for authorization to the Board of Directors on transactions of dividend distribution to shareholders adjusted by percentage of their ownership based on number of outstanding shares on the ex-dividend date.

Chairman: Tseng Song-Zhu Manager: Tseng Shang-Yuan Accounting Manager: Liu Ming-Gen

Resolution:

Matters for Discussion

Case 1: Amendment(s) to the Company’s Articles of Incorporation. (Proposed by the Board)

Explanation: In response to needs in management administration of the Company, amendment to partial articles of the Company’s Articles of Incorporation is proposed, with amendment contents resolved by the Company’s 2nd Board of Directors meeting in 2023. The comparison table for the Articles before and after amendment is as follows. For your voting:

After Amendment	Before Amendment	Reason for Amendment
<p>Article 2 The businesses operated by the Company are as follows:</p> <ol style="list-style-type: none"> 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. 	<p>Article 2 The businesses operated by the Company are as follows:</p> <ol style="list-style-type: none"> 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. <u>CC01080 Electronic component manufacturing business.</u> 10. <u>CC01050 Data storage and processing equipment manufacturing business.</u> 11. <u>CA01990 Other non-iron metal basic industry (melting, forging, die-casting, extrusion, wire drawing of zinc, aluminum, magnesium,</u> 	<p>Article contents amended in response to needs in management administration of the Company.</p>

<p>9. ZZ99999 Besides the permitted businesses, businesses not prohibited or restricted by decrees can be operated.</p>	<p>copper, titanium alloy) <u>12.CA02990 Other metal product manufacturing business (melting, forging, die-casting, extrusion, wire drawing of zinc, aluminum, magnesium, copper, titanium alloy).</u> 13.ZZ99999 Besides the permitted businesses, businesses not prohibited or restricted by decrees can be operated.</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. 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</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. 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</p>	<p>Date amended.</p>

<p>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. It was amended for the 44th time on August 4, 2021. It was amended for the 45th time on June 23, 2022. <u>It was amended for the 46th time on June 28, 2023.</u></p>	<p>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. It was amended for the 44th time on August 4, 2021. It was amended for the 45th time on June 23, 2022.</p>	
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Resolution:

Extempore Motions

Adjournment of Meeting

Appendix

1. Effect of Stock Grant proposed to this Shareholders' Meeting on the Company's Operating Performance and EPS:

The earning distribution proposed for approval in this shareholders' meeting involves only cash dividend and does not involve stock grants. In addition, this item is not applicable as the Company did not disclose financial forecast of 2022 to the public.

2. The shareholding situation of directors in Merida:

In accordance with Article 26 of the Securities and Exchange Act "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", total number of shares held by all directors of the Company may not be fewer than 12,000,000 shares (See Note). The total number of shares held by all directors of the Company as of April 30, 2023 [Beginning Date for Suspension of Share Transfer] is 72,538,619 shares, which is compliant to applicable regulations. Number of shares held by each director is listed as follows:

Director Name	Shares Held Upon Election	Shares Held on Share Transfer Suspension Date	Remarks
Tseng Song-Zhu	48,664,715	48,664,715	
Tseng Song-Ling	5,692,934	5,692,934	
Tseng-Lu Min-Hua	8,477,819	8,900,819	
Luo Tsai-Jen	10,754	10,754	
Ding-Hung Investment Co., Ltd. Representative: Zheng Wen-Xiang	390,022	390,022	
Ding-Hung Investment Co., Ltd. Representative: Yuan Qi-Bin			
Ding-Hung Investment Co., Ltd. Representative: Lai Ru-Ding			
Ding-Hung Investment Co., Ltd. Representative: Tseng Ching-Cheng			
Ding-Sheng Investment Co., Ltd. Representative: Tseng Hui-Juan	7,314,925	7,314,925	
Chen Shui-Jin	0	0	Independent Director
Chen Jian-Nan	0	0	Independent Director
Tsai Wu-Ying	1,985,450	1,564,450	Independent Director
Lei Shin-Jung	0	0	Independent Director
Total	72,536,619	72,538,619	

Note: The percentage of shareholding by all directors excluding independent directors is reduced pro-rate to 80% as the Company intends to concurrently 2 or more independent directors.

3. Information of Proposal-Making Shareholders Holding 1 Percent or more of the Company's Outstanding Shares

(1) According to Article 172-1, the period for accepting proposals by shareholders in this annual shareholders' meeting is April 17, 2023 to April 27, 2023, and the proposals have been made into Public Announcement on the MOPS.

(2) The Company does not receive any proposal from any shareholders holding 1 percent or more of the Company's outstanding shares throughout the period mentioned in the preceding paragraph.

Rules of Procedure for Shareholders' Meeting

- Article 1 Unless otherwise provided by statutes or articles of incorporation, the shareholder's meeting of the Company shall be held in line with this regulation.
- Article 2 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, and the shares checked in on the virtual meeting platform, in addition to the shares of voting right exercised by written form or electronic way.
- In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.
- Article 3 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for each share.
- Article 4 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. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders meeting.
- However, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.
- Article 5 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.
- Article 6 The company may designate the appointed lawyer, accountant or relevant personnel to attend the shareholders' meeting as a nonvoting delegate.
- Article 7 The meeting affairs personnel who handle the shareholders' meeting shall wear badge or armband.
- Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an audio and video recording throughout the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials shall be retained for at least one year.
- The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.
- Article 9 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, 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; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 2.

When, prior to conclusion of the meeting, the attending shareholders represent 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.

Article 10 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.

Article 11 When the meeting is ongoing, the chairperson may set time to declare for rest.

Article 12 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.

Article 13 When every shareholder speaks regarding the same motion, it cannot exceed twice unless consented by the chairperson. Every time cannot exceed 5 minutes. In case of a virtual shareholders meeting, each speak shall contain no more than 200 words.

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.

Article 14 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.

Article 15 After the attended shareholder speaks, chairperson may reply in person or designate relevant personnel to reply.

Article 16 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.

Article 17 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 to 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 extraordinary motions and amendments to original proposals.

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 before 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.

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 or online, 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, before 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.

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 MOPS. However, a proposal with no objection from all attending shareholders as inquired by the chair may be deemed as adopted, with the force equivalent to

voting; where there is any objection(including exercising the objection or abstention against the vote by correspondence or electronically), a poll by shareholders shall be held.

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 rejected, and no further voting shall be required. Vote monitoring and counting personnel for the voting on a proposal 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 names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received, shall be announced on-site at the meeting, and a record made of the vote. In the event of a virtual shareholders meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

When the Company convenes a hybrid shareholders meeting, if shareholders who have registered to attend the meeting online in accordance with Article 2 decide to attend the physical shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

When the Company convenes a hybrid shareholders meeting, and the virtual meeting cannot continue due to force majeure events and the obstruction continues for more than 30 minutes, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof under applicable provisions is required.

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 “picketeer”.

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. It was amended for the 7th time on August 4, 2021. The eighth amendment was made on June 23, 2022.

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.

Article12 Changes to how the Company convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

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.

Article12-1 Shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by the Ministry of Economic Affairs (MoEA).

Article13 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.

Article14 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.

Article15 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.

Article 18-1 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.

Article 19 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.

Article 20 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.

Article 22 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.

Article 23 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.

Article 24 Each director shall attend the meeting of the board of directors in person; however, a director may be represented by another director if he/she cannot attend the meeting due to special circumstances.

In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

In case a director appoints another director to attend a meeting of the board of directors in 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.

A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

Article 25 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.

Article 26 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

Article 27 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.

Article 28 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.

Article 29 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

Article 30 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.

Article 31 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

Article 32 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. It was amended for the 44rd time on August 4, 2021. It was amended for the 45th time on June 23, 2022.

Tseng Song-Zhu, Chairman