

Common Stock Code : 9914

Merida Industry Co., Ltd.

Handbook

for the 2024 Annual Meeting of
Shareholders

June 26, 2024

Merida Industry Co. Ltd.
2024 Annual Shareholders' Meeting

Convening Manner: Physical-Only Meeting

Date & Time: June 26th 2024 (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 2023 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 2,572,951,606. The Company has set aside 6% of its profit at NTD 154,377,096 for employees' remuneration and 2.6% of its profit at NTD 66,896,742 for directors' remuneration, which shall be distributed in cash.

2. Business Report of 2023:

Merida Industry Co. Ltd. Business Report for the Year 2023

According to the statistics issued by Taiwan Bicycle Association (TBA), the total quantity and sales volume by the entire Taiwanese bicycle industry, electrical power assist bicycle (hereinafter “electrical bicycle”) and conventional bicycles (hereinafter “bicycle”) decreased YoY by 33% and 18%, respectively. This indicates that the industry experienced a significant decline in the preceding year in terms of export volume and value due to the reorganization of orders post-pandemic, which was influenced by various factors such as international warfare, shipping disruptions, inflation, and delayed orders.

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

We truly appreciate the support by all our shareholders and directors, as well as the hard work and efforts of all employees! In response to the post-pandemic load regulations, the Company will restructure, cut costs, continue to innovate, and improve processes to increase efficiency, striving to achieve operational goals and challenge new heights based on past achievements. In the meantime, through the practice of sustainable management, we aim to create value for the Company and contribute to the environment and society.

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

(1) Implementation Results of the Business Plans

Unit: 10,000 Units

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

(2) Implementation Conditions

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

1. Consolidated

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

2. Standalone

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

Item	Year		YoY	
	2023	2022		
Sales	46.28	76.92	(30.64)	(39.83%)
Net Sales Revenue	\$20,008,786	\$31,977,115	(11,968,329)	(37.43%)
Operating Cost	17,607,545	27,496,751	(9,889,206)	(35.96%)
Operating Margin	2,401,241	4,480,364	(2,079,123)	(46.41%)
Realized (Unrealized) Gain on Sales	311,441	(907,106)	1,218,547	134.33%
Net Operating Margin	2,712,682	3,573,258	(860,576)	(24.08%)
Operating Expenses	711,087	816,025	(104,938)	(12.86%)
Net Operating Profit	2,001,595	2,757,233	(755,638)	(27.41%)
Non-Operating Income and (Expense)	350,083	1,538,702	(1,188,619)	(77.25%)
Net Profit before Tax	2,351,678	4,295,935	(1,944,257)	(45.26%)
Net Profit after Tax	1,691,823	3,389,063	(1,697,240)	(50.08%)

(3) Profitability Analysis

1. Consolidated

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

2. Standalone

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

(4) R&D Status

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

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

3. Final Accounts and Financial Statements of 2023 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 Wu, Shao-Chun and Tseng, Done-Yuin of Deloitte & Touche Taiwan, with audit report issued. The aforesaid financial statements and 2023 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
2024 Annual Shareholders' Meeting

Merida Industry Co. Ltd.

Convener of the Audit Committee:
Chen, Shui-Jin

Chen Shui-jin

March 14, 2024

4. Endorsement and Guarantee to Others:

As of December 31, 2023, 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)	\$6,155,865	EUR 500	-	\$10,259,775	Banker's Letter of Credit Guarantee
		GBP 6,000	GBP 5,951		Short-Term Loan Guarantee
MERIDA & CENTURION GERMANY GMBH (DE)	\$6,155,865	EUR 2,500	EUR 2,100		Banker's Letter of Credit Guarantee
		EUR 3,500	EUR 3,500		Short-Term Loan Guarantee
		EUR 18,600	EUR 17,400		Mid-to-Long-Term Loan Guarantee
MERIDA BICYCLE (Jiangsu) LTD.	\$6,155,865	RMB 280,000	RMB 161,742		Mid-to-Long-Term Loan Guarantee
MERIDA BICYCLE (China) CO., LTD.	\$6,155,865	RMB 100,000	RMB 10,000		Mid-to-Long-Term Loan Guarantee
Merida Norge AS.	\$6,155,865	USD 1,000	-		Banker's Letter of Credit Guarantee

Proposed Resolutions

Case 1: Business Report of 2023 and Parent-Only and Consolidated Financial Statements. (Proposed by the Board)

Explanation: The Company's Business Report of 2023 and Parent-Company Only and Consolidated Financial Statements have been reviewed and adopted in the 15th Meeting of the Company's 2nd Audit Committee and have been adopted by resolution in the Company's 2nd Board of Directors meeting in 2024. 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 parent corporation only financial statements of Merida Industry Co., Ltd. (the Corporation), which comprise the parent corporation only balance sheets as of December 31, 2023 and 2022, and the parent corporation only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent corporation only financial statements, including material accounting policy information (collectively referred to as the “parent corporation only financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying parent corporation only financial statements present fairly, in all material respects, the parent corporation only financial position of the Corporation as of December 31, 2023 and 2022, and its parent corporation only financial performance and its parent corporation only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the parent corporation only financial statements for the year ended December 31, 2023 is as follows:

Revenue Recognition

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the parent corporation only Financial Statements

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2024

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD.

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

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

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

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

MERIDA INDUSTRY CO., LTD.

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

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

(Continued)

MERIDA INDUSTRY CO., LTD.

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

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

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD.

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

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

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

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

MERIDA INDUSTRY CO., LTD.

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

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

(Continued)

MERIDA INDUSTRY CO., LTD.

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

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

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

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

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

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

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

Other Matter

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2024

Notice to Readers

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

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

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

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

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

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

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

(Concluded)

Case 2: Earnings Distribution of 2023. (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 2023, which has been reviewed and adopted in the 15th Meeting of the Company's 2nd Audit Committee and has been adopted by resolution in the Company's 2nd Board of Directors meeting in 2024. For your ratification:

Merida Industry Co. Ltd.
Table for Earnings Distribution
for the Year 2023

	<u>Unit: NTD</u>
Beginning Undistributed Earnings	\$11,146,830,842
Add: 2023 Net Income after Tax	\$1,691,823,050
Less: Adjustment to Retained Earnings with Investments using Equity Method	15,291,064
Add: Remeasurement of Defined Benefit Plans as Retained Earnings	<u>110,849,800</u>
Amount Recognized as Current Undistributed Earnings from Current Net Profit after Tax Added with Non-Current Profit Items	1,787,381,786
Less: Legal Reserve	178,738,179
Less: Special Reserve-Other Equity	<u>27,507,374</u>
Current Distributable Earnings	\$12,782,981,823
Distributions:	
Cash Dividend-NTD 6 per Share	<u>1,793,902,800</u>
Ending Undistributed Earnings (Retaining Beginning Undistributed Earnings)	<u>\$10,989,079,023</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 6 per share. The dividend totaling at NTD 1,793,902,800 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 of Directors)

Explanation: In accordance with per 23 August 2023 Official Letter No. Taiwan-Stock-Governance-11200147631 of the Taiwan Stock Exchange Corporation, amendment to partial articles of the Company’s Articles of Incorporation is proposed, with amendment contents resolved by the Company’s 8th 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 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. <u>The Board shall include no fewer than one director for each gender.</u></p> <p>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.</p> <p>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</p>	<p>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.</p> <p>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.</p> <p>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</p>	<p>Article contents amended in response to the government official letter.</p>

<p>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.</p>	<p>Director and Supervisor Share Ownership Ratios at Public Companies” by the Financial Supervisory Commission.</p>	
<p>Article 37 The Articles of Incorporation were formulated on September 8, 1972...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. It was amended for the 46th time on June 28, 2023. <u>It was amended for the 47th time on June 26, 2024.</u></p>	<p>Article 37 The Articles of Incorporation were formulated on September 8, 1972...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. It was amended for the 46th time on June 28, 2023.</p>	<p>Date amended.</p>

Resolution:

Election Matters

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

Description:

- (1) The term of office of the Company's current directors is from August 4, 2021 to August 3, 2024. It is proposed to re-elect the directors at the shareholders' meeting this year.
- (2) It is proposed to re-elect 13 directors (including 4 independent directors), who may be eligible for re-election. The current directors shall be discharged from the date of re-election, and the new director shall take office from the date of re-election. The term of office shall be three years, from June 26, 2024 to June 25, 2027.
- (3) The election of directors shall adopt a candidate nomination system, and directors shall be elected among capable persons by the shareholders. The list of director candidates has been reviewed and approved by the Company's third board meeting in 2024. Their educational background, past work experience and other relevant information are as follows, hereby proposed for election:

Category	Name	Shareholding	Education	Professional Experience
Director	Tseng Song-Zhu	48,664,715	13 th Executives Program, Graduate School of Business Administration, National Chengchi University	1. Director and President, Merida 2. President, Taiwan Bicycle Association
Director	Tseng Lu Min-Hua	8,900,819	Graduated from Accounting and Statistics, Taibei High School	Chairman, Dinghong Investment Co., Ltd.
Director	Lo Tsai-Jen	10,754	Bachelor in Marketing and Materials Management, Connecticut Institute of Technology, USA	1. Chairman, CHENG SHIN Rubber (China) Limited Company 2. Chairman, CHENG SHIN/MAXXIS Group
Director	Representative of Dingcheng Investment Co., Ltd.: Chiang Cha Hsuan	7,314,925	Master's Degree, Institute of Marketing Communication, National Sun Yat-Sen University	Person in Charge, Zi-Yu Lu-Ren Ltd.

Director	Representative of Dingcheng Investment Co., Ltd.: Lai Chun-Ku	7,314,925	Master's Degree, National Chi Nan University Department of Information Management	Specialist at Information Division of the Company
Director	Representative of Dinghong Investment Co., Ltd.: Cheng Wen-Hsiang	390,022	Master's Degree, Master's Program at the Graduate Institute of Business Management, Da-Yeh University	Vice President of the Company's Marketing Division / Spokesperson of the Company
Director	Representative of Dinghong Investment Co., Ltd.: Yuan Chi-Pin	390,022	Master's Degree, Graduate Institute at the Department of International Business Management, Da-Yeh University	Vice President of the Company's Production Management Center
Director	Representative of Dinghong Investment Co., Ltd.: Lai Ju-Ting	390,022	Master's Degree, Master's Program at the Graduate Institute of Business Management, Da-Yeh University	Vice President of the Company's Manufacturing Division
Director	Representative of Dinghong Investment Co., Ltd.: Tseng Ching-Cheng	390,022	Graduated from the two-year program of Mechanical Engineering at Nanya Institute of Technology	Vice President of the Company's Domestic Sales Department

Category	Name	Shareholding	Education	Professional Experience	Assumed the Role of Independent Director for Three Consecutive Terms/Reason for Such Assumption
Independent Director	Chen Shui-Jin	0	Master of Business Administration, Chung Cheng University	Chief Accountant, Yuansheng Accounting Firm	Yes (See Note)
Independent Director	Chen Chien-Nan	0	Master in Design Studies, UCLA	Associate Professor, Department of Industrial Design, Chaoyang University of Technology	Yes (See Note)
Independent Director	Tsai Wu-Ying	1,389,450	Bachelor's Degree in Electronic and Computer Science, Feng Chia University	Chairman, FU-CHIAN TIRE CO.,LTD.	No
Independent Director	Lei Hsin-Jung	0	Graduated from the five-year Information Management program at Datong College of Commerce	Head of Engineering Department, Yiding Technology Co., Ltd.	No

Note: Per assessment by the Board, Mr. Chen Shui-Jin and Mr. Chen Chien-Nan are deemed familiar with laws and regulations relating to corporate governance and equipped with rich industrial experience. Furthermore, their degree of understanding concerning the Company affairs allows them to provide guidance and professional opinions as appropriate, which may significantly benefit the Company. Hence, the Board has decided to nominate the said individuals as candidates of independent directors.

Election Results:

Other Matters for Discussion

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

Description: In response to operational needs and considering investments and business development, it is proposed to remove the limits for the newly elected directors and their representatives to engage in businesses that is within the scope of the Company's business with other companies of similar professions for themselves or on behalf of another person, in accordance with Article 209 of the Company Act. The details concerning the removal of the limits are therefore disclosed as follows. Notwithstanding the above, the lifting of strife limitation is subject to the directors (incl. independent directors) elect. It is hereby proposed for resolution:

Position	Name	Names of the Other Companies Engaged in Competitive Business and the Positions Held at Such Companies	
Director	Tseng Song-Zhu	Merida International (B.V.I.) Ltd.	Chairman
		Merida Industry (H.K.) Co., Ltd.	Chairman
		Merida Bicycle (China) Co., Ltd.	Chairman
		Merida Bicycle (Shandong) Co., Ltd.	Chairman
		Merida International (SAMOA) Ltd.	Chairman
		Merida Bicycle (Jiangsu) Ltd.	Chairman
		Specialized Bicycle Components Holding Company, Inc.	Director
		Merida Norge AS.	Director
		Merida Japan Co., Ltd.	Director
		Miyata Cycle Co., Ltd.	Director
		Merida ITALY SpA	Director
Director	Cheng Wen-Hsiang	Specialized Bicycle Components Holding Company, Inc.	Director
		Merida Bicycle Limited	Director
		Merida Benelux B.V.	Director
		Merida Norge AS.	Director
		Merida Japan Co., Ltd.	Director
		Miyata Cycle Co., Ltd.	Director
Director	Lai Ju-Ting	Merida Bicycle (China) Co., Ltd.	Director
		Merida Bicycle (Shandong) Co., Ltd.	Director

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 2023 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 28, 2024 [Beginning Date for Suspension of Share Transfer] is 72,363,619 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	
Lo Tsai-Jen	10,754	10,754	
Ding-Hung Investment Co., Ltd. Representative: Cheng Wen-Hsiang	390,022	390,022	
Ding-Hung Investment Co., Ltd. Representative: Yuan Chi-Pin			
Ding-Hung Investment Co., Ltd. Representative: Lai Ju-Ting			
Ding-Hung Investment Co., Ltd. Representative: Tseng Chin-Cheng			
Ding-Sheng Investment Co., Ltd. Representative: Tseng Hui-Chuan	7,314,925	7,314,925	
Chen Shui-Jin	0	0	Independent Director
Chen Chien-Nan	0	0	Independent Director
Tsai Wu-Ying	1,985,450	1,389,450	Independent Director
Lei Hsin-Jung	0	0	Independent Director
Total	72,536,619	72,363,619	

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 12, 2024 to April 22, 2024, 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.

4. Information on Nominations by Shareholders Holding 1 Percent or more of the Company's Outstanding Shares:

(1) In accordance with Article 192-1 of the Company Act, the shareholders' meeting shall accept director candidate nominations by shareholders from April 12, 2024 to April 22, 2024, which has been announced on the Market Observation Post System in accordance with the laws.

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

Rules of Procedure for Shareholders' Meeting

Article1 Unless otherwise provided by statutes or Articles of Incorporation, the shareholder's meeting of the Company shall be held in line with this regulation.

Article2 Shareholders (or their agents) of the Company are asked to wear attendance cards, where the number of equities is calculated by sign-in cards handed over in time of sign-in, 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.

Article3 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for each share.

Article4 The shareholder's meeting of the Company shall be convened in the venue where the Company is located or where is conducive for the shareholders to attend and suitable for the shareholders to convene. 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.

Article5 If the board of directors convenes the shareholders' meeting, the president shall be the chairperson. When the president asks for leave or cannot carry out the duty for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act.

If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson.

Article6 The company may designate the appointed lawyer, accountant or relevant personnel to attend the shareholders' meeting as a nonvoting delegate.

Article7 The meeting affairs personnel who handle the shareholders' meeting shall wear badge or armband.

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.

Article10 If the shareholders' meeting is convened by board of directors, the agenda shall be set by board of directors. The meeting shall be carried out in line with scheduled agenda and cannot be changed without resolution of the shareholders' meeting.

If the shareholders' meeting is convened by convener other than board of directors, the provisions of preceding paragraph apply mutatis mutandis. Before the end of procedure (including extempore motion) for the agenda scheduled in preceding 2 paragraphs, the chairperson cannot declare the meeting adjourned without resolution.

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

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

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

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

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

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

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

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

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

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 “picketer”.

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

Article20 This regulation comes into force after being approved by shareholders' regular meeting on May 21, 1990. It was amended for the 1st time on June 15, 1998. It was amended for the 2nd time on June 25, 2002. It was amended for the 3rd time on June 23, 2006. It was amended for the 4th time on June 27, 2008. It was amended for the 5th time on June 26, 2014. It was amended for the 6th time on June 22, 2016. 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. ZZ99999 Besides the permitted businesses, businesses not prohibited or restricted by decrees can be operated.

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

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

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

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

Chapter 2 Shares

Article 7 The total capital of the Company is set NT\$3.5 billion, divided

into 350 million shares. Every share is NT\$10 only. The board of directors is authorized to issue the unissued shares among them by many times when necessary. Preferred stocks may be issued for the above stocks.

Article 7-1 (Deleted)

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

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

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

Chapter 3 Shareholders’ Meeting

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

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

Article 12 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.

Article16 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.

Article 33 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.

Article 34 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

Article 35 Organizational rules and important regulations and measures of the Company shall be formulated by board of directors otherwise.

Article 36 Matters not covered in the Articles of Incorporation shall be handled in accordance with Company Act and other relevant decrees.

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 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. It was amended for the 46th

time on June 28, 2023.

Tseng Song-Zhu, Chairman

Merida Industry Co., Ltd.

Rules for Election of Directors

- Article 1 Unless otherwise provided in the laws and regulations or the Articles of Incorporation of the Company, the directors of this Company shall be elected in accordance with the rules specified herein.
- Article 2 The election of directors shall adopt a cumulative voting system with disclosed ballots. The attendance number on the ballot may be regarded as the name of the voter. Unless otherwise provided in the Articles of Incorporation of the Company, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. The election shall adopt the nomination system as specified in Article 192-1 of the Company Act, where the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.
- Article 3 In the election of directors of the Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. When a person serving as director is in violation of paragraph 3, Article 26-3 of the Securities and Exchange Act, that person shall be subject to ipso facto dismissal.
- Article 4 At the beginning of the election, the Chairman shall appoint vote monitoring and counting personnel, provided that all monitoring

personnel shall be shareholders of the Company. The ballot box used for voting shall be prepared by the Board of Directors and checked in public by the monitoring personnel before voting.

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

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

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

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

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

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

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

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