Stock Code: 9938

Taiwan Paiho Limited

2018 Annual Report
(Translation)

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Annual Report is available at：: http：//mops.twse.com.tw
http：//www.paiho.com

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Acting Spokesperson
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Title： Chief of Accounting Division
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Name 2：Paiho Shih Holdings Corporation. (Taiwan office) Tel：+886-4-7561340
Address 2：No. 575 Hegang Rd., Hemei Township, Changhua County 50844, Taiwan.
(3)Vietnam Subsidiary Company
Name 1: Vietnam Paiho Limited. Tel：+84-28-37540103~8
Address 1：: Lot 30-32-34, Road No.3, Tan Tao Industry Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Vietnam.
Name 2: Vietnam Paihong Limited. Tel：+84-274-6272288
Address 2：Lo C_6A_CN, Bau Bang Industrial Zone Extension, Lai Uyen Commune, Bau Bang District, Binh Duong Province, Vietnam.
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Name： Pt. Paiho Indonesia. Tel：+62-266-6323822
Address：Jl. Perintis Kemerdekaan Km.6 Kp. Cimenteng Rt.001 Rw. 005, Sukamulya, Cikembar, Kab. Sukabumi, Jawa Barat.
(5)America Subsidiary Company
Name： Paiho North America Corporation. Tel：：+1-661-2576611
Address： 16051 El Prado Road, Chino, CA 91708 U.S.A.
(6)Wuxi Subsidiary Company
Name 1：Wuxi Paiho Textile Co., Limited. Tel：+86-510-88261688
Address 1: No.18 Hexin Road, Xishan Economic Development District, Wuxi City, Jiangsu, China.
Name 2： Wuxi Paisem Chemical Fibre Co., Tel：+86-510-88266979
Address 2: No.18 Hexin Road, Xishan Economic Development District, Wuxi City, Jiangsu, China.
Name 3： Wuxi Paihong Real Estate Co., Ltd. Tel：+86-510-88789866
Address 3：No.1399, Dongxiang Road, Anzhen Street, Xishan District, Wuxi City, Jiangsu, China.
Name 4：Wuxi Paiwei Biotechnology Co., Ltd. Tel：+86-510-88261688
Address 4：No.18 Hexin Road, Xishan Economic Development District, Wuxi City, Jiangsu, China.
(7)Dongguan Subsidiary Company
Name 1：Dongguan Paiho Textile Limited. Tel：+86-769-88745111
Address 1： No.11 Paiho Road, Hengliu Management District, Shatian Town, Dongwan City, Guangdong Province, China.
Name 2： Dongguan Paihong Industry Co., Ltd. Tel：+86-769-88745111
Address 2：Huanbao Industrial District, Shatian Town, Dongguan City, Guangdong, China.
Name 3：Dongguan Paiho Powder Coating Co., Ltd. Tel：+86-769-83483361
Address 3：Dajingtou No.2 Industrict, Dalang Town, Dongguan City, Guangdong Province, China.
(8) Shanghai Subsidiary Company
Name：China Star International Limited. Tel：+86-21-69575626
Address：No.6008, Northern Fu-I Rd, Waigang Jiading District, Shanghai City, China.

3. Stock Transfer Agent:
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Address：5F, No.83, Sec. 1, Chung-Ching S. Rd, Taipei City 10008, Taiwan.
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4. CPAs for Recent Annual Financial Statements：
Name of CPAs：Shu-Chin Chiang and Hsiao-Fang Yen
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5. Name of any Overseas Securities Trading Agency and Method for Searching the Information of the Overseas Securities：N/A.

6. Company Website：http：//www.paiho.com

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I. Letter to Shareholders

I would like to thank all shareholders for your continued trust and support of Paiho Group. It has been a tough and rewarding year in 2018 for Paiho Group. The rise of international trade protectionism slowed the growth of the global economy and trade, which slowed the growth of Paiho's sales of traditional products, but also prompted the Company to accelerate its establishment of new production capacity for new products and the speed of product development. Some production lines in the plants of Vietnam Paihong have been completed and put into production this year. The construction of Vietnam Paiho Plant II was also accelerated. Major production bases in Taiwan, Indonesia, and China are also in the process of optimizing the production process. Paiho Group is currently in the preparation process for the next stage of rapid growth. The Group has invested a lot of manpower, resources, and capital in recent years. All employees are working hard to achieve the goal. This process is hard, but it also injects the energy of hope into the Company.

Paiho Group's 2018 consolidated net sales was NT$13.72 billion (same currency hereinafter), up 16.8% from the previous year's NT$11.75 billion; the 2018 consolidated gross profit ratio was 36.2%, and the consolidated profit from operations ratio was 17.1%, which were lower than the consolidated gross profit ratio of 40.1% and the consolidated profit from operations ratio of 22.8% in the previous year, respectively. Net profit attributable to owners of the corporation was NT$1.36 billion in 2018, and the earnings per share was NT$4.57, which was a 16% decline from the NT$5.44/share and a net profit of NT$1.62 billion of the previous year, respectively.

Looking forward to the year 2019, the Company will continue to meet the needs of customers in terms of business development, strengthen development and service capabilities in various operating locations around the world, and will also expand products in other fields, such as, medical, automobile, aerospace, consumer electronics, etc. in order to increase sales momentum and profitability. In terms of production, we will speed up the construction of existing and new product capacity and technology upgrades, continue to optimize the production process and integrate the production capacity of each production base of the Group to achieve the benefits of increasing sales performance, adding value, and reducing costs.

Finally, I would like to express my heartfelt gratitude to the members of the Board of Directors and all the staff for their hard work. Paiho Group will continue to uphold the sustainable management philosophy of "Quality Assurance for Innovation and Development," "Customer Satisfaction After-sales Service," and "Cost-Reduction and Reasonable-Price" to meet customer needs, develop new products, and explore new applications; also, it will exercise innovative thinking to closely connect to market movement and create new business opportunities. The Company is confident that it will continue to grow and continue to generate profits for shareholders and fulfill corporate social responsibility.

We Wish All Shareholders

Good Health, Great Fortune

Chairman: Sen-Mei Cheng

1.1 2018Business Report

2018 Annual Business Report

1.1.1 Business Implementation Outcome

Unit: NT$ thousands

Item	2018	2017	Difference Amount	Difference (%)
Net Sales	$13,716,050	$11,747,956	$1,968,094	16.8
Gross Profit	4,983,842	4,704,951	278,891	5.9
Profit from Operations	2,370,607	2,674,345	(303,738)	(11.4)
Profit Before Income Tax	2,212,520	2,591,578	(379,058)	(14.6)
Net Profit	1,514,342	1,832,678	(318,336)	(17.4)
Net Profit Attributable to Owners of the Corporation	1,360,306	1,619,782	(259,476)	(16.0)

Change and Difference Analysis:

Due to the continuing development of new products and generation of construction income, the Group's sales and gross profit in 2018 increased from the year of 2017. However, due to the expansion of new product development and overseas operations, the related personnel and development costs increased, and capital expenditure for plants and equipment also increased, which resulted in an increase in operating expenses and interest expense for the year 2018. Therefore, profit from operations, profit before income tax and net profit decreased from the year of 2017.

1.1.2 Budget Execution: For the year of 2018, the Company has not established a financial forecast.

1.1.3 Financial Revenue/Expenditure and Profitability Analysis

Item		2018	2017
Capital Structure	Debt Ratio (%)	58.3	50.5
	Long-term Funds to Property, Plant and Equipment Ratio (%)	171.5	189.3
Liquidity	Current Ratio (%)	131.9	153.4
	Quick Ratio (%)	77.3	87.2
Profitability	Return on Total Assets (%)	6.9	10.0
	Return on Equity Attributable to Owners of the Corporation (%)	13.9	17.8
	Net Margin (%)	11.0	15.6
	Earnings Per Share (NT$)	4.57	5.44

1.1.4 Research and Development

1. Application of Easy Tape

In response to market demand, and in line with the needs of various branding companies for soft or anti-slip molded hook, the ETR62S soft hook and anti-slip hook were launched, including the hook-to-hook series and more molded hook for use in different industries and attributes, which makes the easy tape available for a wider range of uses.

2. Application of Jacquard Digital Woven Fabric

Breaking through the traditional woven plane structure and responding to the rise of environmental protection concepts, technology is applied to make dynamic changes in products, so the cloth has a variety of different combinations for use and the Company is able to enter the bag market. In addition, TPU embroidered fabric was introduced and it has different materials used to produce a multi-layered perspective. The hot-melt characteristics of the TPU embroidered fabric are used to increase the concept of seamlessness and to enhance the texture; therefore, it is one of the functional products promoted this year.

3. Planned Development of New Products

The annual planned development in 2019 for new products of the Company include: the LED Active Safety Tap, Colorful Mesh Upper Fasteners and Cufflinks, Honeycomb Pattern High Strength Upper Mesh Structure, and Unique Jacquard Banana Shoelaces and Drawcords.

1.2 2019 Business Plan Overview

1.2.1 Operational Strategy

1. Cooperate with the rapid ordering and delivery mode of major sports brands, strengthen the business deployment in Vietnam and Indonesia, continue to strengthen the domestic and overseas marketing capabilities and manufacturing site competitiveness, and maintain customer service satisfaction through group resource integration and division of labor support.
2. Continue innovation and research and development, innovate yarns in functional accessories or textile fabrics, reform manufacturing processes and increase post-processing multi-equipment to increase the added value of products and operating profits.
3. Based on the global environmental protection plea of energy saving and carbon reduction and friendliness to the environment, the Group actively cooperates with all environmental protection measures of the "Zero Discharge of Hazardous Chemicals (ZDHC)" of NIKE and other international brands, improves all dye additives non-toxic and harmless requirements, and cooperates with all branding companies' goal of achieving "zero emissions of hazardous chemicals" in the entire textile supply chain by 2020.
4. The Group's products have become more diversified, and it has actively set up and trained marketing teams for various projects in order to enter new industries and new markets, such as, the application of the molded hook & loops in the automobile, medical, aviation, and other industries. In addition to international footwear brands, the Jacquard Digital Woven Fabric is also promoted to branding companies (including Chinese brands) in Asia-Pacific for use in footwear, boutique bags, garments, and hats, and other applications in order to increase sales of new products in new industries and to increase turnover.

1.2.2 Expected Sales Quantity and its Basis

In response to the use of textile materials for uppers and garments, the Company and its subsidiaries have successively invested in the research and development and production and sales of Jacquard Digital Woven Fabric and Jacquard Engineered Mesh for uppers. The effort is rewarding. The Company will continue to cooperate with branding companies in the future to jointly develop the application of new products and extension products; also, will actively enter the high-end product market through new product development and new process R&D, and transform from an accessories supplier to a main fabric supplier in order to increase sales. Overall, due to the development and application of new products, the sales in items and volume will grow in 2019. The Company will continue to maintain its business philosophy and strictly control related costs and expenses to increase the Company's profits.

1.2.3 Important Production and Marketing Policies

1. In response to branding companies' demand for a shorter delivery schedule and risk of order transfer, the Group has had resources fully integrated, the division of labor fully exercised for support, and horizontal integration achieved.
2. The Group actively participates in major domestic and international exhibitions and cooperates with the export expansion policies of the Shoe Association, International Footwear Association, Foreign Trade Association, and Taiwan Textile Federation, R.O.C.; also, it holds various regional innovation materials launching ceremonies and actively participates in major domestic and international branding company's materials exhibitions. It continuously expands diversified marketing to increase market exposure opportunities.
3. The Group's product map has become more diversified. A marketing strategy is formulated for each specific product, a project business team is formed, and a coherent communication platform for domestic and international professional training and marketing strategies is constructed to implement the Group's unified sales policy.
4. In response to branding company's growing demand for textile fabrics, as well as branding company's policy of reducing carbon and banned hazardous substances, and customer's need to comply with the policies and regulations for water repellent, antifouling, wear-resistant, and anti-phenol products, the machinery equipment is expanded and is switched to non-carbon or environmentally-friendly additives; also, the Group has improved production flexibility and increased operating performance and profits through production technology improvement and losses reduction.
5. Chinese sports brands have gained publicity continuously in recent years through various sporting events; also, through continuously cooperating with international brands, and even establishing international R&D centers. Therefore, the Company will expand and strengthen the operation of Chinese brands, actively participate in material launches and sample selection campaigns of major brands; also, will strive to gain an in-depth understanding of Chinese brand management culture and to expand sales performance in China.
6. Due to the shortage of labor in the production areas of sports products and the rising wage costs in recent years, the Company will continue to take advantage of its own processing technology and automation, and switch from simple material trading to diversified and compound finished product production and sales. In addition to reducing customer's labor costs and material losses, the Company will provide customers with multiple products for selection in order to achieve a win-win situation.

1.2.4 The Company’s Future Development Strategy

1. Under the existing foundation, the Group will continue to strengthen close interaction with the headquarters of major brands and regional development centers; also, it will strengthen the extension of the domestic sports brands in China, cooperate with brand trends, collaborate in product development, and support the needs of brands to increase and extend to post-processing. From the standpoint of service, the Group intends to become the best strategic partner of branding companies.
2. The Group continues efforts in innovation and research and development, and improves towards high-tech and automation in order to reduce labor costs and increase production efficiency. It will further improve the IATF16949 and aerospace industry AS9100 certification through the verification of the new ISO version. Expansion in various industries and diversified development in various fields are expected in the future.
3. The Group will actively develop various environmentally-friendly or recycled materials for the reference of major brand customers. It will strengthen material supplier management, and continue to improve banned chemicals, brand ZDHC specifications, energy saving and waste reduction, alternative energy sources, reduction of greenhouse gas emissions, and carbon footprint and water footprint certification. In addition to fulfilling corporate social responsibility (CSR), the Group will continue to advance in the direction of sustainable operation by adhering to the spirit of green energy innovation and global environmental protection.
4. The Group will continue to strengthen the Group’s vertical integration and horizontal cooperation and development, integrate supply chain resources, establish price information, and unified the bargaining integration platform in order to achieve lean manpower, stable quality, and cost reduction, and enhancement of the Group’s profits.

1.2.5 Affected by the External Competitive Environment, Regulatory Environment, and Overall Business Environment

For the main materials and accessory materials industries in which the Company is engaged, although the relevant competitors are numerous, because the related product items, processes, or deployment of each manufacturer are incomplete, and their product quality is inferior, they generally lack the capability to cooperate with major brand customers. The Company’s various processes are complete and the product line is diversified; also, the Company has the ability to develop products and cooperate with branding companies to jointly develop products and provide customers with a full range of services. In addition, the Company attaches great importance to environmental protection and human rights. The production of each product is in accordance with RSL, EU REACH, and ROSH regulations, and meets the anti-pollution requirements of non-toxic, harmless, chemical-free, and heavy metal-free required by various international brands. The Company has established production and sales bases in

Taiwan, China Wuxi, China Dongguan, Vietnam, and Indonesia. A service base in Portland, USA is also set up to make direct contact with the headquarters of many international brands. It is beyond the reach of its peers in this industry. Therefore, the Company has an excellent advantage in competition.

In summary, all the enterprises in this industry face such external disadvantages at the same time. The Group, under long-term interaction with international brands, is able to grasp the business trends and actively plan for improvement and implementation with a good demeanor established and a competitive advantage secured in the industry.

Chairman:	General Manager:	Accounting Officer:
Sen-Mei Cheng	Cheng-Wei Cheng	Yao-Ta Huang

II. Company Profile

2.1 Date of Establishment: January 14, 1985.

2.2 Company History

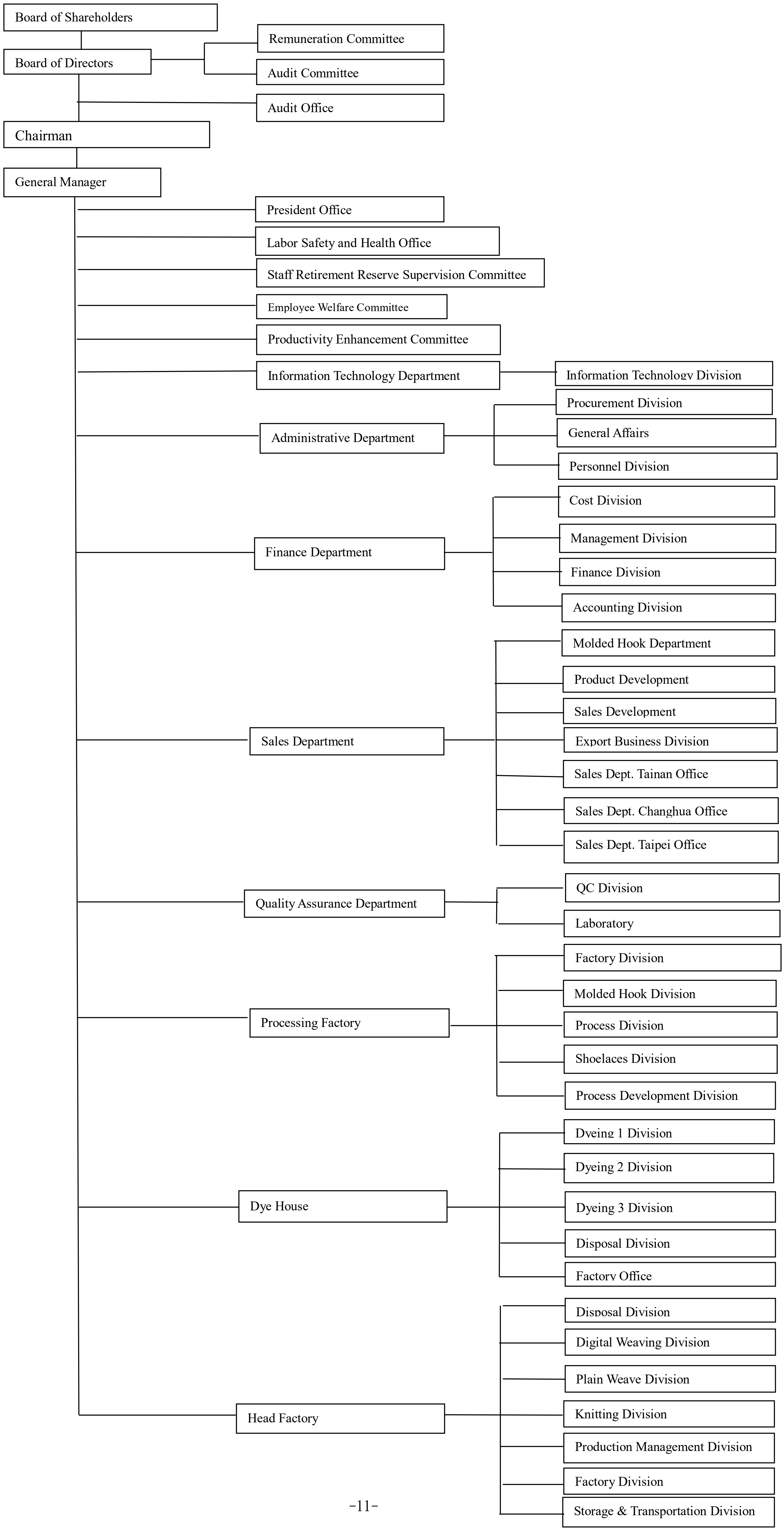
Year	Events
1985	1. Paiho, formerly known as San Ho Shin Limited. (San Ho Shin LTD.), was established in 1979 to produce touch fastener and elastic.
	2. Velcro (Nasdaq SC: VELCF) has teamed up with San Ho Shin Limited to established Taiwan Paiho Limited.
1990	1. On June 30, 1990, the Velcro (NasdaqSC: VELCF) divested and shares sold to domestic shareholders.
1997	1. The Company indirectly acquired the Dongguan Paiho Textile Limited (Dongguan Paiho Company.) in China 100% equity.
1999	1. Invested and established Vietnam Paiho Limited in Vietnam, and obtained 100% equity.
2000	1. On November 1, 2000, it was approved by the Taiwan Stock Exchange Corporation (TWSE) and stock listed on TWSE from January 12, 2001.
2001	1. The Company indirectly invested in Wuxi Paiho Textile Limited (Wuxi Paiho Company.) and obtained 100% equity.
2003	1. Dongguan Paiho Company reinvested in China Star International Limited (China Star Company.) in China and obtained 51% equity.
2004	1. In order to expand the North American market, invested and established Paiho North America Corporation (Paiho North Company.) in United States California, and obtained 100% equity.
	2. The Company indirectly invested in Wuxi Paisem Chemical Fibre Co., (Wuxi Paisem Company.) in China, and obtained 33.3% equity.
	3. Dongguan Paiho Company invested in Dongguan Paiho Powder Coating Co., Ltd (Dongguan Powder Company.) and obtained 75% equity.
2005	1. The Company indirectly invested and established Dongguan Paihong Industry Co., Ltd (Dongguan Paihong Company.), and obtained 100% equity.
	2. Awarded certificate of enterprise operation headquarter issued by Industrial Development Bureau, Ministry of Economic Affairs.
2006	1. Cooperate with the US R&D team to purchase 5 Molded machines and expand the business of easy tape.
	2. Except for the 75% equity of China Star Company held by Dongguan Paiho Company, the Company acquired 25% equity that was held by other shareholders of China Star Company through Paiho Holdings Limited., which was invested in by Paiho Group Inc.
	3. Except for the 75% equity of Dongguan Powder Company held by Dongguan Paiho Company, the Company acquired 25% equity that was held by other shareholders of Dongguan Powder Company through

Year	Events
	Paiho Holdings Limited., which was invested in by Paiho Group Inc.
2007	1. The structure of the investment in Wuxi Paiho Company has been changed. Instead, the Company has invested in Paiho Int’l Limited, which has then invested in Paiho Shih Holdings Corporation (Paiho Shih Company.) in the British Cayman Islands, and then invested in Hong Kong Antex Limited thereafter, which has indirectly invested in Wuxi Paiho Company.
	2. The 75% equity of China Star Company held by Dongguan Paiho Company was transferred to Paiho Holdings Limited.
	3. The 75% equity of Dongguan Powder Company held by Dongguan Paiho Company was transferred to China Star Company.
	4. Dongguan Paihong Company handled cash capital increase with 75% equity subscribed and held by Wuxi Paiho Company. As of the end of this year, the Company indirectly held the shareholding of Dongguan Paihong Company through Pai Shin Corp and Wuxi Paiho Company at 25% and 75%, respectively.
	5. Wuxi Paiho Company solicited external shareholders and restructured into a shareholding system. It was renamed “Wuxi Paiho Textile Co., Limited” which has 89.3% equity held by the Company indirectly.
	6. Awarded with “ Taiwan Fine Product” by Taiwan Trade Development Council.
2008	1. Awarded the achievement award of Taiwan industrial textiles by Taiwan Industrial Textiles Association.
2009	1. The Company acquired a portion of the equity held by the minority shareholders of Wuxi Paiho Company through Hong Kong Antex Limited that is invested in by Paiho Int'l Limited and Paiho Shih Company. Therefore, the Company has increased its shareholding of Wuxi Paiho Company to 93.2% indirectly.
	2. In addition to the 75% equity of Dongguan Paihong Company held by the Company through Wuxi Paiho Company that is invested in by Hong Kong Antex Limited., the 25% equity of Dongguan Paihong Company originally held by the Company through Pai Shin Corp. is now held by Hong Kong Antex Limited., in response to the Group’s investment restructuring.
2010	1. The Company acquired a portion of the equity held by the minority shareholders of Wuxi Paiho Company through Paiho Int'l Limited., the Company has increased its shareholding of Wuxi Paiho Company to 97.4% indirectly.
	2. The Company and Paiho Int'l Limited indirectly invested in Pt. Paiho Indonesia (Paiho Indonesia Company.) and obtained 99% and 1% of the equity, respectively.

Year	Events
	3. On December 30, Paiho Shih Company was approved by TWSE, to go back to the first listed in Taiwan, and was listed on the TWSE since May 18, 2011.
2011	1. The Company acquired 99% equity of Paiho Indonesia Company held by Zhong Yuan Xing Ye Company Ltd.
	2. Awarded with “Material Supplier Laboratory” certificate by Adidas.
2012	1. Awarded with “Supplier Certificate of Quality Management System” by Mizuno.
2013	1. Wuxi Paiho Company invested in Wuxi Paihong Real Estate Co., Ltd. (Wuxi Paihong Real Estate Company) and obtained 100% equity.
	2. Awarded with "Best Small and Medium Enterprise" by the Ministry of Economic Affairs.
	3. Awarded with " FACT Division 1 Supplier" by Adidas.
	4. Develop 4-way Stretchable Elastic–knitted Uppers and Jacquard Digital Woven Fabric products, to enter the main material market.
	5. Certified with ISO14001: 2004 Quality Control System Certification of easy tape.
2014	1. Awarded with Bluesign certified Trim Supplier.
	2. Invited by Adidas become part of the member in A-Team, is one of the 11 members in the world to be the most prospective development supplier, and the company is the only one vice material supplier only one vice material supplier.
	3. Elected by Nike as the “Pioneer Supplier” in garment - as the strategic partner.
2015	1. Certified with ISO9001: 2008 Quality Management System.
	2. Certified with IATF 16949: 2009 Auto Industry Quality Management System.
2016	1. Awarded with “Manufacturing Excellence & Innovation” by Adidas.
	2. Awarded with "TITAS Contribution Award" by the Taiwan Textile Federation.
	3. Paiho Shih Company indirectly invested in Vietnam Paihong Limited Company (Vietnam Paihong Company.) through Samoa Hon Shin Corp., and obtained 100% equity.
2017	1. Awarded certificate of “ 4th Session of Excellence Enterprise Award” from Ministry of Economic Affairs.
	2. Certified with ISO9001: 2015 Quality Management System.
2018	1. Wuxi Paiho Company invested in Wuxi Paiwei Biotechnology Co., Ltd. (Wuxi Paiwei Company) and obtained 100% equity.
	2. Certified with Aerospace Industry AS9100.

III. Corporate Governance Report

3.1 Organization



3.1.2 Responsibilities of Main Departments

Department	Primary Responsibility
Board of Director	Be responsible to the Board of shareholders, implement the resolutions of the shareholders meeting, and determine the Company's business plans and investment projects within the scope of authorization by the shareholders meeting.
Audit Committee	Represents the Board of Directors to oversee the effective implementation of the preparation of financial reports and internal controls in order to ensure the credibility of financial reports and the compliance of the Company' activities.
Remuneration Committee	Establish and periodically assess and review the performance of directors and managerial officers as well as the policy, system, standard, and structure for the remuneration.
Audit Office	According to the Company's internal control system, execute audits regularly or irregularly, and submit audit reports as well as improvement suggestions.
President Office	1. Plans the Company's mid-term and long-term operational strategy, reviews the Company's operating status at any time, and provides adjustments in a timely manner to respond to market changes. 2. The promotion of quality policy control and product after-sales service organization business.
Information Technology Department	The planning and development of the company's information operating system and the maintenance of related software and hardware.
Administrative Department	1. Handle affairs such as appoint, attendance, travel, education and training, evaluation, reward and punishment, resignation and welfare of Company's employee; To provide administrative affairs support to all departments. 2. Planning of warehouse storage location. 3. Procuring of raw materials, machinery and equipment, as well as import and export customs declaration business. 4. Management and maintenance of Assets.
Finance Department	1. For the scheduling and application of mid-term and long-term funds of the Company, evaluates the benefits of major investment and financing projects; also, provides timely financial analysis for reference in operational decision-making. 2. The regular bookkeeping records are recorded and published. Appropriately assesses special issues that have occurred or are about to occur, or provides the decision makers with digital solutions for

Department	Primary Responsibility
	problems and the preparation of financial statements. 3. Cashier affairs of receivables and payments.
Sales Departemnt	The promotion of the Company's products and business, including the head office, Taipei office and Tainan office have sales departments.
Head Factory	1. Manufacturing and production of elastics. 2. Development, manufacturing and production of various type of webbings.
Dye House	1. Post-processing of various type touch fasteners. 2. Dyeing and finishing of touch fastener related products.
Quality Assurance Department	1. Establish quality system and promoting quality system. 2. Quality control and inspection of raw materials to the finished products. 3. Textile tests and various processed wearable products tests that have been certified by major sports brand customers.
Processing Factory	1. Research and development, manufacturing and processing of easy tapes related products. 2. Manufacturing, production and processing of shoelaces. 3. Various type of webbings, custom embossing services and printing processing. 4. Development, manufacturing and processing of reflective products. 5. Research and development of various processes and equipment.

3.2 Background Information of Directors, General Manager, Vice General Managers, Senior Managers, and the Chiefs of all the Company's Department and Branch Offices

3.2.1 Information of the Directors

As of April 15, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio
Chairman	R.O.C.	Sen-Mei Cheng	Male	June 15,2017	3	February 28, 1990	8,342,976	2.80%	7,943,976	2.67%	6,282,856	2.11%	0	0.00%
Vice Chairman	R.O.C.	Yi-Ming Lin	Male	June 15,2017	3	December 21, 1990	4,510,976	1.51%	4,510,976	1.51%	119,492	0.04%	0	0.00%
Director	R.O.C.	Chih-Yu Cheng	Male	June 15,2017	3	June 13, 2008	14,718,309	4.94%	7,718,309	2.59%	2,066,000	0.69%	4,010,000	1.35%
Director	R.O.C.	Hsi-Ming Pai	Male	June 15,2017	3	June 27, 2002	697,821	0.23%	697,821	0.23%	2,874	0.00%	0	0.00%
Director	R.O.C.	Hsin-Jung Cheng	Male	June 15,2017	3	June 10, 2015	5,014,344	1.68%	5,014,344	1.68%	0	0.00%	0	0.00%
Director	R.O.C.	Hsiu-Mai Lee Cheng	Female	June 15,2017	3	June 15, 2004	3,888,695	1.31%	3,403,695	1.14%	0	0.00%	0	0.00%
Director	R.O.C.	Shih-Chao Huang	Male	June 15,2017	3	November 15, 1999	288,029	0.10%	288,029	0.10%	0	0.00%	0	0.00%
Director	R.O.C.	ChengWei Cheng	Male	June 15,2017	3	June 15, 2017	4,759,553	1.60%	5,444,553	1.83%	360,551	0.12%	0	0.00%
Director	R.O.C.	Kuei-Chu Yeh	Female	June 15,2017	3	June 15, 2017	79,588	0.03%	79,588	0.03%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Jui-Lin Lo	Male	June 15,2017	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Chung-Cheng Wang	Male	June 15,2017	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Chia-Yu Chen	Female	June 15,2017	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%

Title	Name	Selected Education & Experiences	Current Positions at the Company and Other Companies	Other Managers, Directors who is This Person's Spouse or Relative(s) within the Second Degree of Kinship		
				Title	Name	Relation
Chairman	Sen-Mei Cheng	Pei-Ying Elementary School. Director of Business, Song Tenancy Vehicle.	Note 1	Vice Chairman Director Director Executive Vice General Manager	Yi-Ming Lin Hsiu-Mai Lee Cheng Cheng-Wei Cheng Cheng-Tsung Cheng	The Second Degree The Second Degree The First Degree The First Degree
Vice Chairman	Yi-Ming Lin	Department of Business Administration, Tamkang University.	Note 2	Chairman Director	Sen-Mei Cheng Hsiu-Mai Lee Cheng	The Second Degree The Second Degree
Director	Chih-Yu Cheng	Department of Accounting, Macquarie University.	Note 3	Director	Hsiu-Mai Lee Cheng	The First Degree
Director	Hsi-Ming Pai	Lukang Senior High School. Director of Century Storage Co. Ltd.	Chairman of Chin Ifeng Industrial Co., Ltd.	None	None	None
Director	Hsin-Jung Cheng	Bachelor of Business (Management), Queensland University of Technology.	Note 4	None	None	None
Director	Hsiu-Mai Lee Cheng	Supervisor of Chihyu Investment Co., Ltd.	None	Chairman Vice Chairman Director	Sen-Mei Cheng Yi-Ming Lin Chih-Yu Cheng	The Second Degree The Second Degree The First Degree
Director	Shih-Chao Huang	Department of Architecture, Chinese Culture University.	Head of the Stanford Nursery. Chairman of Beijing Chingyuanmao Trading Co., Ltd. Chairman of Shandong huahua Economic and Trade Co., Ltd.	None	None	None
Director	ChengWei Cheng	Department of Statistics, Macquarie University.	Note 5	Chairman Executive Vice General Manager	Sen-Mei Cheng Cheng-Tsung Cheng	The First Degree The Second Degree
Director	Kuei-Chu Yeh	Master of International Business Administration, National Changhua University of Education. Production Specialist of the Second Credit Cooperative of Changhua.	Supervisor of Pt. Paiho Indonesia.	None	None	None
Independent Director	Jui-Lin Lo	Bachelor of Accounting, Chung Yuan Christian University. CPA, T N Soong & Co. CPA, Deloitte & Touche.	CPA, Hsu Cheng Certified Public Accountant. Independent director of Giant Manufacturing Co., Ltd. Independent Director of WFE Technology Corp.	None	None	None

Title	Name	Selected Education & Experiences	Current Positions at the Company and Other Companies	Other Managers, Directors who is This Person's Spouse or Relative(s) within the Second Degree of Kinship		
				Title	Name	Relation
Independent Director	Chung-Cheng Wang	Department of administration, National Taichung College of Business. Vice Chairman and General Manager of Sweeten Real Estate Development Co., Ltd. Director of Construction Company. Senior Manager of Tah Hsin Industrial Corporation. Supervisor of Tah Hsin Corporation, Japan. The 10^{th} Chairman of Taichung Real Estate Development Association. The 12^{th} President of Taichung Builders, Club. The 15^{th} President of the Listed Elite Association in Central China. The 10^{th} President of the Rotary Corporation Club of Taichung North-West. The 5^{th} Chairman and 7^{th} Executive Director of the Taiwan Action Bodhisattva Student Aid Association.	Chairman of Huahsiang Construction Co., Ltd. Director of Pinda Investment Co., Ltd. Director of Sweeten Tducation Foundation. Taichung Real Estate Development Association - Member of Policy Promotion Committee.	None	None	None
Independent Director	Chia-Yu Chen	Bachelor of Accounting, Providence University. Master of Finance Institute, National Chiao Tung University. Audit Team In-charge, PwC Taiwan. Director of Audit, Taiwan Paiho Limited.	Deputy Manager of Finance Department, Elite Semiconductor Memory Technology Inc.	None	None	None

Note:

1. Chairman of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Limited, Director of China Star Company, Director of Dongguan Powder Company, Director of He Mei Xing Ye Company Ltd, Director of Vietnam Paiho Limited, Director of Dongguan Paihong Company, Director of Braits Company Limited, Director of Wuxi Paisem Company, Director of Zhong Yuan Xing Ye Company Ltd, and Director of Pt. Paiho Indonesia.
2. Vice chairman and Vice General Manager of Sales Department of the Company, Director of Dongguan Paiho Company, Director of Dongguan Powder Company, Director of China Star Company, Director of He Mei Xing Ye Company Ltd, Director of Zhong Yuan Xing Ye Company Ltd, Chairman of Vietnam Paiho Limited, Director of Braits Company Limited, Chairman of Paiho North America Corporation, Director of Hong Kong Antex Limited, Director of Wuxi Paisem Company, and Director of Pt. Paiho Indonesia.
3. Director and Project Vice General Manager of Sales Department of the Company, Director of Paiho Shih Company, Director of Dongguan Powder Company, Director of Paiho Group Inc.、Director of Paiho Holdings Limited, Director of He Mei Xing Ye Company Ltd, Director of Hong Kong Antex Limited, Director of Zhong Yuan Xing Ye Company Ltd, Director of Braits Company Limited, Director of Wuxi Paisem Company, and Chairman of Pt. Paiho Indonesia.
4. Vice General Manager of Paiho Shih Company, Vice General Manager of Dongguan Paihong Company, Chairman of China Star Company, Chairman of Dongguan Powder Company, Chairman of Wuxi Paisem Company, Director of Paiho Group Inc, Director of Paiho Holdings Limited and Supervisor of Vietnam Paihong Company.
5. Director and General Manager of the Company, Director of Paiho North America Corporation, Director of Braits Company Limited and Supervisor of Dongguan Paihong Company.

Information of Directors

Requirements / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Requirements (Note)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant ("CPA"), or Other Professional or Technical Specialist Who has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have work Experiences in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Sen-Mei Cheng			✓					✓		✓		✓	✓	0
Yi-Ming Lin			✓					✓		✓		✓	✓	0
Chih-Yu Cheng			✓					✓		✓		✓	✓	0
Hsi-Ming Pai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsin-Jung Cheng			✓					✓		✓	✓	✓	✓	0
Hsiu-Mai Lee Cheng			✓	✓	✓			✓	✓	✓		✓	✓	0
Shih-Chao Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng-Wei Cheng			✓					✓		✓		✓	✓	0
Kuei-Chu Yeh			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Jui-Lin Lo		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chung-Cheng Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chia-Yu Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes if directors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds in accordance of Taiwan government or local government laws.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, proprietor, partner, or company/institution owner, partner, director (executive director), supervisor (member of the supervisory board), managerial officer and spouse of any of these persons that provides business, legal, financial and/or accounting services or consultation to the Company or affiliates. However, members of the Compensation Committee fulfilling their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are not limited to these terms.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Background Information of General Manager, Vice General Managers, Senior Managers, and the Chiefs of all the Company's Department and Branch Offices

As of April 15, 2019

Title	Nationality	Name	Gender	Date Effective	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)
Chairman	R.O.C.	Sei-Mei Cheng	Male	August 9, 2017	7,943,976	2.67%	6,282,856	2.11%	0	0.00%
General Manager	R.O.C.	Cheng-Wei Cheng	Male	August 9, 2017	5,444,553	1.83%	360,551	0.12%	0	0.00%
Executive Vice General Manager of Sales Department	R.O.C.	Cheng-Tsung Cheng	Male	August 9, 2017	5,308,424	1.78%	198,840	0.07%	0	0.00%
Vice General Manager of Sales Department	R.O.C.	Yi-Ming Lin	Male	May 2, 2001	4,510,976	1.51%	119,492	0.04%	0	0.00%
Vice General Manager of President Office	R.O.C.	Kuei-Chu Yeh	Female	March 3, 2015	79,588	0.03%	0	0.00%	0	0.00%
Project Vice General Manager of Sales Department (Note 1)	R.O.C.	Chih-Yu Cheng	Male	August 9, 2018	7,718,309	2.59%	2,066,000	0.69%	4,010,000	1.35%
Manager of Information Technology Department	R.O.C.	Hung-Chang Cheng	Male	January 11, 2005	65	0.00%	588	0.00%	0	0.00%
Vice Senior Manager of Finance Department	R.O.C.	Yao-Ta Huang	Male	February 15, 2011	8,000	0.00%	1,210	0.00%	0	0.00%
Senior Manager of Product Development	R.O.C.	Huan-Tung Tseng	Male	January 1, 2005	12,066	0.00%	6,179	0.00%	0	0.00%
Senior Manager of Sales Departement	R.O.C.	Kuo-Chih Lai	Male	July 1, 2012	24,492	0.00%	0	0.00%	0	0.00%
Project Senior Manager of Sales Department	R.O.C.	Mei-Ting Yang	Male	August 1, 2012	3,000	0.00%	22,000	0.01%	0	0.00%
Vice Senior Manager of Sales Development	R.O.C.	Po-Hsun Huang	Male	March 14, 2016	0	0.00%	0	0.00%	0	0.00%
Senior Manager of Head Factory (Note 2)	R.O.C.	Hui-Huang Huang	Male	April 17, 2018	0	0.00%	0	0.00%	0	0.00%
Deputy Factory Director of Dye House	R.O.C.	Ming-Yen Lin	Male	February 5, 2014	13,000	0.00%	16,101	0.00%	0	0.00%
Senior Manager of Processing Factory (Note 2)	R.O.C.	Tung-Yu Huang	Male	April 17, 2018	46,740	0.02%	0	0.00%	0	0.00%
Manager of Quality Assurance Department	R.O.C.	Hsing-Ju Chiang	Female	October 1, 2014	0	0.00%	0	0.00%	0	0.00%
Director of Audit Office	R.O.C.	Mei-Chin Hsin	Female	November 29, 2005	2,274	0.00%	0	0.00%	0	0.00%

Title	Name	Selected Education & Experiences	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship		
				Title	Name	Relation
Chairman	Sei-Mei Cheng	Pei-Ying Elementary School. Director of Business, Song Tenancy Vehicle.	Note 3	General Manager Executive Vice General Manager Vice General Manager	Cheng-Wei Cheng Cheng-Tsung Cheng Yi-Ming Lin	The First Degree The First Degree The Second Degree
General Manager	Cheng-Wei Cheng	Department of Statistics, Macquarie University	Note 4	Chairman Executive Vice General Manager	Sei-Mei Cheng Cheng-Tsung Cheng	The First Degree The Second Degree
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng	Department of Japanese, Macquarie University	Note 5	Chairman General Manager	Sei-Mei Cheng Cheng-Wei Cheng	The First Degree The Second Degree
Vice General Manager of Sales Department	Yi-Ming Lin	Department of Business Administration, Tamkang University.	Note 6	Chairman	Sei-Mei Cheng	The Second Degree
Vice General Manager of President Office	Kuei-Chu Yeh	Master of International Business Administration, National Changhua University of Education. Production Specialist of the Second Credit Cooperative of Changhua.	Supervisor of Pt. Paiho Indonesia.	None	None	None
Project Vice General Manager of Sales Department (Note 1)	Chih-Yu Cheng	Department of Accounting, Macquarie University.	Note 7	None	None	None
Manager of Information Technology Department	Hung-Chang Cheng	Department of International Trade, Chung Yuan Christian University.	None	None	None	None
Vice Senior Manager of Finance Department	Yao-Ta Huang	Master of Accounting and Finance Institute, Feng Chia University.	None	None	None	None
Senior Manager of Product Development	Huan-Tung Tseng	Department of Economics, Chinese Culture University.	None	None	None	None
Senior Manager of Sales Department	Kuo-Chih Lai	Department of Business Administration, Ling Tung Junior College of Accounting.	None	None	None	None
Project Senior Manager of Sales Department	Mei-Ting Yang	Department of Agriculture food processing, Taiwan Provincial Chiayi Junior College of Agriculture.	None	None	None	None
Vice Senior Manager of Sales Development	Po-Hsun Huang	Department of Industrial Safety and Health, Chung Shan Medical University.	None	None	None	None
Senior Manager of Head Factory (Note 2)	Hui-Huang Huang	Department of Mechanical Engineering, Lunghwa Junior College of Technology.	None	None	None	None
Deputy Factory Director of Dye House	Ming-Yen Lin	Junior High School.	None	None	None	None
Senior Manager of Processing Factory (Note 2)	Tung-Yu Huang	Department of Mechanical Engineering, Lien Ho College of Technology & Commerce	None	None	None	None
Manager of Quality Assurance Department	Hsing-Ju Chiang	Department of Textile, National Taipei College of Institute.	None	None	None	None
Director of Audit Office	Mei-Chin Hsin	Associate Degree in Accounting, National Taichung College of Business.	None	None	None	None

Note 1: Mr. Chih-Yu Cheng was appointed as the Project Vice General Manager of Sales Department by the Board of Directors on August 9, 2018.

Note 2: Mr. Hui-Huang Huang and Mr. Tung-Yu Huang were promoted to Senior Manager of Head Factory and Senior Manager of Processing Factory respectively, effective on April 17, 2018.

Note 3: Chairman of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Limited, Director of China Star Company, Director of Dongguan Powder Company, Director of He Mei Xing Ye Company Ltd., Director of Vietnam Paiho Limited, Director of Dongguan Paihong Company, Director of Braits Company Limited, Director of Wuxi Paisem Company, Director of Zhong Yuan Xing Ye Company Ltd, and Director of PT. Paiho Indonesia.

Note 4: Director and General Manager of the Company, Director of Paiho North America Corporation, Director of Braits Company Limited, and Supervisor of Dongguan Paihong Company.

Note 5: Also serves as director of Paiho Shih Company, Director of He Mei Xing Ye Company Ltd, Director of Paiho Holdings Limited, Director of Hong Kong Antex Limited, Director of Zhong Yuan Xing Ye Company Ltd, Director of Wuxi Paisem Company, and Supervisor of Dongguan Powder Company.

Note 6: Vice Chairman and Vice General Manager of Sales Department of the Company, Director of Dongguan Paiho Company, Director of Dongguan Powder Company, Director of China Star Company, Director of He Mei Xing Ye Company Ltd, Director of Zhong Yuan Xing Ye Company Ltd, Chairman of Vietnam Paiho Limited, Director of Braits Company Limited, Chairman of Paiho North America Corporation, Director of Hong Kong Antex Limited, Director of Wuxi Paisem Company, and Director of PT. Paiho Indonesia.

Note 7: Director and Project Vice General Manager of Sales Department of the Company, Director of Paiho Shih Company, Director of Dongguan Powder Company, Director of Paiho Group Inc, Director of Paiho Holdings Limited, Director of He Mei Xing Ye Company Ltd, Director of Hong Kong Antex Limited, Director of Zhong Yuan Xing Ye Company Ltd, Director of Braits Company Limited, Director of Wuxi Paisem Company, and Chairman of Pt. Paiho Indonesia.

3.3 The Remuneration Paid to Directors, General Manager, and Vice General Managers in the Recent Year

3.3.1 Remuneration Paid to Directors (including Independent Directors)

Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Directors' Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) as % of Net Profit (Note 10)</th><th colspan="8">Compensation Earned as Employee of the Company or of the Company's Affiliates</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D+E+F+G) as % of Net Profit (Note 10)</th><th rowspan="4">Other Compensations from Nonsubsidiary Affiliates</th></tr>
<tr><th colspan="2">Salary(A) (Note 2)</th><th colspan="2">Pension (B)</th><th colspan="2">Remunerations (C) (Note 3)</th><th colspan="2">Allowance (D) (Note 4)</th><th colspan="2">Salary, Bonus and Special Fees etc. (E) (Note 5)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee Compensation (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th><th colspan="2">The Company</th><th colspan="2">Consolidated Entities (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">Consolidated Entities (Note 7)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Sen-Mei Cheng</td><td rowspan="12">$ 0</td><td rowspan="12">$ 0</td><td rowspan="12">$ 0</td><td rowspan="12">$ 0</td><td rowspan="12">$15,419</td><td rowspan="12">$15,419</td><td rowspan="12">$ 2,920</td><td rowspan="12">$ 2,920</td><td rowspan="12">1.35</td><td rowspan="12">1.35</td><td rowspan="12">$26,103</td><td rowspan="12">$76,817</td><td rowspan="12">$ 0</td><td rowspan="12">$ 0</td><td rowspan="12">$3,800</td><td rowspan="12">$ 0</td><td rowspan="12">$ 3,800</td><td rowspan="12">$ 0</td><td rowspan="12">3.55</td><td rowspan="12">7.27</td><td rowspan="12">$ 0</td></tr>
<tr><td>Director</td><td>Yi-Ming Lin</td></tr>
<tr><td>Director</td><td>Hsi-Ming Pai</td></tr>
<tr><td>Director</td><td>cheng-Wei Cheng</td></tr>
<tr><td>Director</td><td>Chih-Yu Cheng</td></tr>
<tr><td>Director</td><td>Kuei-Chu Yeh</td></tr>
<tr><td>Director</td><td>Hsin-Jung Cheng,</td></tr>
<tr><td>Director</td><td>Shih-Chao Huang</td></tr>
<tr><td>Director</td><td>Hsiu-Mai Lee Cheng</td></tr>
<tr><td>Independent Director</td><td>Chung-cheng Wang</td></tr>
<tr><td>Independent Director</td><td>Jui-Lin Lo</td></tr>
<tr><td>Independent Director</td><td>Chia-Yu Chen</td></tr>
</table>

Range of Remuneration

<table>
<tr><td rowspan="3">Range of Remuneration</td><td colspan="4">Name of Directors</td></tr>
<tr><td colspan="2">Aggregate Amount of the Preceding Four Remuneration Items (A+B+C+D)</td><td colspan="2">Aggregate Amount of the Preceding Seven Remuneration Items (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company (Note 8)</td><td>Consolidated Entities (H)(Note 9)</td><td>The Company</td><td>Consolidated Entities (I) (Note 9)</td></tr>
<tr><td>Less than NT$2 million</td><td>Hsi-Ming Pai
Chih-Yu Cheng
Hsin-Jung Cheng
Kuei-Chu Yeh
Shih-Chao Huang
Hsiu-Mai Lee Cheng
Jui-Lin Lo
Chung-Cheng Wang
Chia-Yu Chen</td><td>Hsi-Ming Pai
Chih-Yu Cheng
Hsin-Jung Cheng
Kuei-Chu Yeh
Shih-Chao Huang
Hsiu-Mai Lee Cheng
Jui-Lin Lo
Chung-Cheng Wang
Chia-Yu Chen</td><td>Hsi-Ming Pai
Hsin-Jung Cheng
Shih-Chao Huang
Hsiu-Mai Lee Cheng
Jui-Lin Lo
Chung-Cheng Wang
Chia-Yu Chen</td><td>Hsi-Ming Pai
Shih-Chao Huang,
Hsiu-Mai Lee Cheng
Jui-Lin Lo
Chung-Cheng Wang
Chia-Yu Chen</td></tr>
<tr><td>NT$ 2 million (included) ～ $ 5 million (excluded)</td><td>Yi-Ming Lin
Cheng-Wei Cheng</td><td>Yi-Ming Lin
Cheng-Wei Cheng</td><td>Yi-Ming Lin
Chih-Yu Cheng</td><td>None</td></tr>
<tr><td>NT$ 5 million (included) ～ $10 million (excluded)</td><td>Sen-Mei Cheng</td><td>Sen-Mei Cheng</td><td>Cheng-Wei Cheng
Kuei-Chu Yeh</td><td>Cheng-Wei Cheng
Kuei-Chu Yeh</td></tr>
<tr><td>NT$10 million (included) ～ $ 15 million (excluded)</td><td>None</td><td>None</td><td>None</td><td>Cheng-Wei Cheng
Hsin-Jung Cheng</td></tr>
<tr><td>NT$15 million (included) ～ $ 30 million (excluded)</td><td>None</td><td>None</td><td>Sen-Mei Cheng</td><td>Yi-Ming Lin</td></tr>
<tr><td>NT$30 million (included) ～ $ 50 million (excluded)</td><td>None</td><td>None</td><td>None</td><td>Sen-Mei Cheng</td></tr>
<tr><td>NT$50 million (included) ～ $100 million (excluded)</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Above NT$100 million</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Total</td><td>12</td><td>12</td><td>12</td><td>12</td></tr>
</table>

Note 1: If a director also serves as a general manager, or vice general manager, he/she should fill up this form and the forms (3) below.

Note 2: Refers to compensation to directors in the 2018 year (including salaries, job allowances, severance pay, various bonuses, and performance rewards).

Note 3: This table presents the remuneration paid to directors in the most recent years approved by the Board of Directors.

Note 4: Refers to expenses from professional practice paid out to directors in the 2018 year (including costs of transportation, various allowances, cars and so on).

Note 5: Refers to salaries, job allowance, severance pay, various bonuses, performance rewards, transportation costs, various allowances, and car to directors concurrently holding positions in the Company. Any compensation listed under IFRS 2 “Share-Based Payment”, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included.

Note 6: Employee compensation of 2018 are approved by the Board of Directors in 2019.

Note 7: Total compensation paid by all companies listed in the consolidated financial report (including this Company) to the Company's directors.

Note 8: The name of each director shall be disclosed in the range corresponding to the sum of compensation paid to the respective director.

Note 9: The name of each director shall be disclosed in the range corresponding to the sum of compensation paid to the respective director by all companies listed in the consolidated financial report (including the Company).

Note 10: Net profit used net profit after tax of Parent Company Only Financial Statement in 2018 is NT$ 1,360,306 thousand.

3.3.2 Remuneration Paid to the General Manager and Vice General Managers

Unit: NT$ thousands

Title	Name	Salary (A)(Note 2)		Pension (B)		Bonuses and Allowances (C)(Note 3)		Employee compensation (D) (Note 4)				(A+B+C+D) as % of Net Profit (Note 8)		Remuneration from Nonsubsidiary Affiliates
		The Company	Consolidated Entities (Note 5)	The Company	Consolidated Entities (Note 5)	The Company	Consolidated Entities (Note 5)	The Company		Consolidated Entities (Note 5)		The Company	Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	Sen-Mei Cheng	$11,314	$16,119	$ 0	$ 0	$20,400	$70,624	$4,300	$ 0	$4,300	$ 0	2.65	6.69	$ 0
General Manager	Cheng-Wei Cheng													
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng													
Vice General Manager of Sales Department	Yi-Ming Lin													
Vice General Manager of President office	Kuei-Chu Yeh													
Project Vice General Manager of Sales Department (Note 9)	Chih-Yu Cheng													

Range of Remuneration

Range of Remuneration	Name of General Manager and Vice General Managers	
	The Company (Note 6)	Consolidated Entities (E) (Note 7)
Less than NT$2 million	None	None
NT$2 million (included)～ $ 5 million (excluded)	Yi-Ming Lin Chih-Yu	None
NT$5 million (included)～ $10 million (excluded)	Cheng-Wei Cheng Kuei-Chu Yeh Cheng-Tsung Cheng	Kuei-Chu Yeh Chih-Yu Cheng
NT$10 million (included)～ $ 15 million (excluded)	None	Cheng-Wei Cheng Cheng-Tsung Cheng
NT$15 million (included)～ $ 30 million (excluded)	Sen-Mei Cheng	Yi-Ming Lin
NT$30 million (included)～ $ 50 million (excluded)	None	Sen-Mei Cheng
NT$50 million (included)～ $100 million (excluded)	None	None
Above NT$100 million	None	None
Total	6	6

Note 1: If a director also serves as the general manager and vice general manager, he/she shall fill this form and forms (1) above.

Note 2: Refers to compensation to general manager and vice general managers in the 2018 year, including salaries, job allowances and severance pay.

Note 3: Refers to various bonuses, rewards, transportation expenses, special expenses, and various allowances to the general manager and vice general managers in actual objects or other forms of compensation. Any compensation listed under IFRS 2 “Share-Based Payment”, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included.

Note 4: Refers to compensation paid to the general manager and vice general managers approved by the Board of Directors in the most recent year; An estimation for this year shall be calculated in proportion of the compensation paid last year.

Note 5: Total compensation paid to the general manager and vice general managers by all companies listed in the consolidated financial report (including the Company).

Note 6: The name of the general manager and vice general managers shall be disclosed in the range corresponding to the sum of compensation paid to the respective general manager and vice general manager.

Note 7: The name of each general manager and vice general manager shall be disclosed in the range corresponding to the sum of compensation paid to the respective general manager and vice general manager by all companies listed in the consolidated financial report (including the Company).

Note 8: Net profit used net profit after tax of Parent Company Only Financial Statement in 2018 is NT$ 1,360,306 thousand.

Note 9: The appointment of took effect on August 9, 2018.

3.3.3 Distribution of Employee' Compensation Paid to Managerial Officers

December 31, 2018
Unit: NT$ thousands

	Title	Name	Amount of stock	Amount of cash	Total	Ratio of Total Amount to Net Profit (%)
Managerial Officers	Chairman	Sen-Mei Cheng	$ 0	$8,650	$8,650	0.64
	General Manager	Cheng-Wei Cheng				
	Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng				
	Vice General Manager of Sales Department	Yi-Ming Lin				
	Vice General Manager of President Office	Kuei-Chu Yeh				
	Project Vice General Manager of Sales Department (Note1)	Chih-Yu Cheng				
	Vice Senior Manager of Finance Department	Yao-Ta Huang				
	Senior Manager of Product Development.	Huan-Tung Tseng				
	Senior Manager of Sales Department	Kuo-Chih Lai				
	Project Senior Manager of Sales Department	Mei-Ting Yang				
	Vice Senior Manager of Sales Development	Po-Hsun Huang				
	Senior Manager of Head Factory (Note 2)	Hui-Huang Huang				
	Senior Manager of Processing Factory (Note 2)	Tung-Yu Huang				

Note 1: The appointment of took effect on August 9, 2018.
Note 2: The appointment of took effect on April 17, 2018.
Note 3: Refers to compensation paid to the managerial officers approved by the Board of Directors. An estimation for this year shall be calculated in proportion of the remuneration paid last year. Net profit used net profit after tax of Parent Company Only Financial Statement in 2018 is NT$ 1,360,306 thousand.
Note 4: If directors, general manager and vice general managers have received employee compensation (including stock and cash), this form shall be filled in addition to Form (1).

3.3.4 Comparative Analysis of Percentage of Remuneration to Directors, Supervisors, General Manager and Vice General Managers to Consolidated Entities Versus Parent Company only Net Profit After Tax over the Past Two Years, and Explanation of Remuneration Strategies, Standards, Decision Processes and Correlation between Strategy and Performance.

Title	Ratio of Total Amount to Net Profit (%)			
	2017		2018	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	3.17	7.51	3.55	7.27
Supervisors	0.06	0.06	-	-
General Manager and Vice General Managers	2.37	6.02	2.65	6.69

Description:

The remuneration to the directors and supervisors of the Company includes allowance for transportation and remuneration. According to the current Articles of Incorporation, the remuneration to directors and supervisors is for an amount not more than 2% of the profit before income tax and before paying remuneration to employees and directors and supervisors. The remuneration to directors and supervisors for their services shall be paid regardless of the profit or loss of the Company. The general manager and vice general managers are responsible for the Company’s business management and operation. Their salary structure includes basic salary and special allowances. Said salary is based on their contribution, seniority, and performance; also, by referring to the salary level of the industry that should be discussed by the Remuneration Committee and approved by the Board of Directors. Some operation ratios of 2018 are higher than that of 2017. This was mainly due to the needs of the Company’s future operational development. The continuing development of various new products and factories construction overseas have caused the preliminary development costs and personnel expenses to go up, but the benefits have not yet appeared. Therefore, the net profit of 2018 was lower than that of 2017.

3.4 The State of the Company's Implementation of Corporate Governance:

3.4.1 The State of Operations of the Board of Directors

1. Six meetings (A) of the 12th Board of Directors were held in 2018. The attendance status of the Directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)【B/A】	Note
Chairman	Sen-Mei Cheng	6	0	100.0	None
Vice Chairman	Yi-Ming Lin	6	0	100.0	None
Director	Hsi-Ming Pai	6	0	100.0	None
Director	Chih-Yu Cheng	5	0	83.3	None
Director	Hsin-Jung Cheng	6	0	100.0	None
Director	Shih-Chao Huang	4	0	66.7	None
Director	Kuei-Chu Yeh	6	0	100.0	None
Director	Hsiu-Mai Lee Cheng	1	0	16.7	None
Director	Cheng-Wei Cheng	6	0	100.0	None
Independent Director	Jui-Lin Lo	6	0	100.0	None
Independent Director	Chung-Cheng Wang	5	0	83.3	None
Independent Director	Chia-Yu Chen	6	0	100.0	None

2. Other Required Notes for the Board Meetings:

(1)Where any of the following circumstances occurs with respect to the operation of the Board of Directors, meeting dates, sessions, contents of resolutions, opinions of all independent directors, and the company's responses to such opinions shall be specified:

① Matters prescribed under Article 14-3 of the Securities and Exchange Act. :

Meeting Dates and Session	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
The 5th meeting of the 12th board March 16, 2018	1. The Company to make endorsements/guarantees for its affiliates. 2. Amendments to "Rules of Procedure for Board of Directors' Meeting". 3. To have some of the construction premises for sale (pre-sales) of Wuxi Paihong Real Estate Company sold to the related party (including amend and addition).	None	None
The 6th meeting of the 12th board May 4, 2018	1. The audit fees of the Certified Public Accountant (CPA) of 2018. 2. The assessment of the independence and competency of the CPA. 3. The contents' amendment of having some of the construction premises for sale of Wuxi Paihong Real Estate Company sold to the related party. 4. The procurement of machine equipment of Vietnam Paihong Company.	None	None
The 7th meeting of the 12th board June 14, 2018	1. The Company to make endorsements/guarantees for its affiliates. 2. The appointing supervisor of Dongguan Powder Company.	None	None
The 8th meeting of the 12th board August 09, 2018	1. The Company to make endorsements/guarantees for its affiliates. 2. To sells some of the construction premises of Wuxi Paihong Real Estate Company to the related party.	None	None
The 9th meeting of	1. The Company to make endorsements/guarantees for its	None	None

Meeting Dates and Session	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
the 12th board November 9,2018	affiliates. 2. To increase the capital of Vietnam Paiho Limited.		
The 10th meeting of the 12th board December 24, 2018	1. The Company to make endorsements/guarantees for its affiliates. 2. Wuxi Paihong Real Estate Company sells some parking spaces (use rights) of "Paiho International Mansion" construction project to the related party. 3. .The proposal for the salary of managerial officer. 4. The 2018 (including the 2017 remuneration to employees) estimated bonuses to be distributed to managerial officers (including directors who are also an employee of the Company).	None	None

② Except the aforementioned items, there were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None.

(2) For any recusal of directors due to conflict of interests in certain proposals, names of directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted:

① The Board of Directors resolved on March 16, 2018 to have some of the construction premises for sale (pre-sales) of Wuxi Paihong Real Estate Co., Ltd. sold to the related party (including amend and addition). Yi-Ming Lin, Vice Chairman, and Hsi-Ming Pai, Director, had themselves recused from proposal discussion and voting due to a conflict of interest; also, the proposal was passed by the attending directors unanimously.

② The Board of Directors resolved on December 24, 2018 to sells some parking spaces (use rights) of Wuxi Paihong Real Estate Company's "Paiho International Mansion" construction project to the related party. Sen-Mei Cheng, Chairman, Yi-Ming Lin, Vice Chairman, Hsi-Ming Pai, Director, and Hsin-Jung Cheng, Director, had themselves recused from proposal discussion and voting due to a conflict of interest; also, the proposal was passed by the attending directors unanimously.

③ The Board of Directors resolved on December 24, 2018 to the proposal for the salary of managerial officer. Chih-Yu Cheng, Director, had himself recused from proposal discussion and voting due to a conflict of interest; also, the proposal was passed by the attending directors unanimously.

④ The Board of Directors resolved the 2018 (including the 2017 remuneration to employees) estimated bonuses to be distributed to managerial officers (including directors who are also an employee of the Company) on December 24, 2018. Sen-Mei Cheng, Chairman, Yi-Ming Lin, Vice Chairman, Cheng-Wei Cheng, Director, Kuei-Chu Yeh, Director, and Chih-Yu Cheng, Director, had themselves recused from proposal discussion and voting due to a conflict of interest; also, the proposal was passed by the attending directors unanimously.

(3) Evaluation of the functions of the board of directors in the current year and the recent year:

The Company will provide relevant information of the english translation of the Shareholders' Meeting in 2019 and the english translation of the Financial Statements for the Years Ended December 31, 2018 and 2017. In addition, financial information and major resolutions are announced on the Market Observation Post System, the Company's business information is also disclosed on the company's website, the investment public can have timely access to information.

3.4.2 The State of Operations of the Audit Committee:

1. Six meetings (A) of the 1st Audit Committee were held in 2018. The attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】	Note
Independent Director	Jui-Lin Lo	6	0	100.0	None
Independent Director	Chung-Cheng Wang	5	0	83.3	None
Independent Director	Chia-Yu Chen	6	0	100.0	None

2. Other required notes for Audit Committee Meeting:

(1)Where any of the following circumstances occurs with respect to the operation of the Audit Committee, meeting dates, sessions, contents of resolutions, resolutions adopted by the Audit Committee, and the company's responses to such opinions shall be specified:

① Matters prescribed under Article 14-5 of the Securities and Exchange Act.：

Meeting Dates and Sessions	Contents of Resolutions	Resolution of Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 5th meeting of the 12th board March 16, 2018	1. The Company to make endorsements/guarantees for its affiliates. 2. The 2017 Statement of Internal Control System. 3. The Company's 2017 Business Report and Financial Statements. 4. Amendments to "Rules of Procedure for Board of Directors' Meeting". 5. To have some of the construction premises for sale (pre-sales) of Wuxi Paihong Real Estate Co., Ltd. sold to the related party (including amend and addition).	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 6th meeting of the 12th board May 4, 2018	1. The audit fees of the CPAs of 2018. 2. The assessment of the independence and competency of the CPAs. 3. The contents' amendment of having some of the construction premises for sale of Wuxi	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.

Meeting Dates and Sessions	Contents of Resolutions	Resolution of Audit Committee	The Company's Response to the Opinions of the Audit Committee
	Paihong Real Estate Company sold to the related party. 4. The procurement of machine equipment of Vietnam Paihong Company.		
The 7th meeting of the 12th board June 14, 2018	1. The appointing supervisor of Dongguan Powder Company. 2. The Company to make endorsements/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 8th meeting of the 12th board August 9, 2018	1. The Company's 2018 second quarter Consolidated Financial Statements. 2. The Company to make endorsements/guarantees for its affiliates. 3. To sells some of the construction premises of Wuxi Paihong Real Estate Company to the related party.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 9th meeting of the 12th board November 9, 2018	1. The Company to make endorsements/guarantees for its affiliates. 2. To increase the capital of Vietnam Paiho Limited.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 10th meeting of the 12th board December 24, 2018	1. The Company to make endorsement/guarantees for its affiliates. 2. Wuxi Paihong Real Estate Company sells some parking spaces (use rights) of "Paiho International Mansion" construction project to the related party.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.

② Except the aforementioned items, proposal approved by more than two-third of Board Members without Audit Committee approval: None.

(2) For any recusal of Independent Directors due to conflict of interests in certain proposals, names of Independent Directors, contents of resolutions, reasons for the recusal and participation in the voting shall be Noted: None.

(3) Descriptions of the communications between the Independent Directors, the head of internal auditors, and CPAs (including significant matters, methods, and results of communication on the Company's finance and operations, etc.):

①The Audit Supervisor regularly reports on the implementation of the auditing operation on a quarterly basis to the Audit Committee. Special circumstances, if any, will be reported to the Audit Committee members immediately. There were no special circumstances that occurred in 2018. The Audit Committee of the Company communicated well with the audit supervisor.

②The accountants attended the Audit Committee meetings on March 16, 2018 and March 14, 2019 to report the results of the financial statements review (audit) and to communicate other related legal requirements. They also reported on special circumstances, if any, to the Audit Committee members immediately. There were no special circumstances that occurred in 2018. The Audit Committee of the Company communicated well with the attestation accountants.

3.4.3 Corporate Governance Operation Status and Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons

Assessment Item	Operation Status			Discrepancies With the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has formulated and disclosed the "Corporate Governance Best Practice Principles" and operated and implemented corporate governance related standards in accordance with the spirit of corporate governance. In the future, the Company will strengthen information transparency and the operational functions of the Board of Directors to promote the operation of corporate governance.	No major difference.
2.Equity structure and shareholders' equity (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, concerns, disputes and litigations, and implement based on the procedure?	✓		(1)The Company has formulated the "Procedures of Internal Material Information" and has designated staff and a spokesperson to handle shareholders' suggestions, doubts, disputes, and litigation matters; also, to coordinate the relevant units of the Company for implementation.	No major difference.
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The actual information can be provided through the stock agency. The Company regularly discloses the list of major shareholders and the ultimate controllers of the major shareholders.	No major difference.
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The management rights and responsibilities between the Company and its associates are clearly defined; also, the business transactions are subject to the relevant provisions of the Company's internal control system.	No major difference.
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has formulated the "Procedures of Internal Material Information" and "Codes of Ethical Conduct" to prohibit insiders from using	No major difference.

Assessment Item	Operation Status			Discrepancies With the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			undisclosed information to buy and sell securities.	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The Company has formulated the "Corporate Governance Best Practice Principles" and "Procedures for Governing the Election of Directors" to regulate the diversified policies for board members. Please refer to Note 1 (page 40) for the diversity of the Board of Directors of the Company.	No major difference.
(2)Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	(2) The Company has not yet set up various functional committees, but other functional committees will be set up in the future when it is necessary.	No major difference.
(3)Does the Company establish a standard to measure the performance of the Board, and implement it annually?	✓		(3) The Company has formulated the "Regulations Governing Remuneration to Directors" to assess the performance and contribution of individual directors annually as the basis for remuneration.	No major difference.
(4)Does the Company regularly evaluate the independence of CPAs?	✓		(4) The Company evaluates the independence of the public certified accountant at least once a year and submitted the evaluation results to the Board of Directors for review and approval on May 4, 2018. Based on the assessment performed, the Company has concluded that CPA Shu-Ching Chiang and CPA Hsiao-Fang Yen of Deloitte & Touche are in compliance with the Company's independent evaluation criteria (Note 2, please refer to page 40) and are competent to act as the Company's attestation accountants. The accounting firm has had a letter of independence statement issued.	No major difference.

Assessment Item	Operation Status: Yes	No	Summary Description	Discrepancies With the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
			In addition, the attestation accountants have had themselves recused when there is a conflict of interest against the entrustment; also, the attestation accountant's rotation is in compliance with relevant regulations.	
4. Does the Company established an exclusively (or concurrently) corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc.	✓		The Finance Department of the Company is also responsible for handling corporate governance related matters, including providing information required by directors to conduct business, handling matters related to board meetings and shareholders meetings, handling company registration and change registration, and producing minutes of board meeting and shareholders meetings.	No major difference.
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has established a communication channel with the stakeholders, including setting up the "Stakeholders" section on the Company's website; also, they can contact the Company at any time by telephone or E-mail. A smooth communication channel is in place. The Company will also take adequate measures depending on the situation.	No major difference.
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appoints the Stock Agency of China Trust Commercial Bank to handle matters related to the shareholders meeting.	No major difference.
7. Information Disclosure (1)Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up the "Investor" section on the Company's website to fully disclose relevant financial information, including corporate governance, revenue	No major difference.

Assessment Item	Operation Status			Discrepancies With the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			information, financial statements, investor conferences, etc., and links to the "Market Observation Post System" for the reference of the shareholders and the public.	
(2)Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has the relevant information disclosed by the designated personnel and has such information announced on the "Market Observation Post System" regularly. The Company has a spokesperson designated and occasionally participates in or holds an investor conference with the relevant information disclosed on the Company's website.	No major difference.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		(1) Employee rights: The Company has always treated its employees with integrity and safeguarded the legitimate rights and interests of employees in accordance with the Labor Standards Act and other relevant laws and regulations. (2) Employee wellness: The Company has established a good relationship of mutual trust and dependence with its employees through a welfare system that enriches and harmonizes the lives of employees, including a good education and training system. Such as: ① Arrange employee labor insurance, health insurance, group accident insurance, and life insurance. ②The Company appropriates employee benefits funds in accordance with the law, organizes employee welfare committees, and regularly arranges employee travel activities,	No major difference.

Assessment Item	Operation Status			Discrepancies With the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			health checks, and other employee welfare measures every year. ③ Appropriate employee pensions according to law. ④ Regularly arranges labor safety and health workshops to prevent occupational disasters and to ensure the safety and health of employees. (3) Investor relation: A spokesperson, an acting spokesperson, and a stock affairs clerk are to handle shareholders' recommendations. (4) Supplier relations: Based on the ethical corporate management principle, the Company has demanded the quality, quantity, and delivery time of the products provided by the suppliers; also, it makes payments to the suppliers according to the contracts. The Company may also provide necessary technical assistance to the subcontractors when technical obstacles occur. (5) Rights of stakeholders: The Company's website (http://www.paiho.com) is set up with a "Stakeholders" section to provide a smooth communication channel so stakeholders can make suggestions or recommendations at any time. (6) Directors' training records: The Company actively encourages the Board Directors to pursue advanced studies in order to enhance their professionalism and to promote the spirit of corporate governance. Please refer to page 55-57 for the advanced	

Assessment Item	Operation Status			Discrepancies With the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			studies of the Board Directors. (7)The implementation of risk management policies and risk evaluation measures: Various internal regulations are formulated in accordance with the law to conduct various risk management and evaluation. (8)The implementation of customer relations policies: The Company maintains a stable and good relationship with its customers to create corporate profits. (9)Purchasing insurance for directors: The liability insurance acquired for the directors by the Company: The Company acquired a one-year insurance policy for a coverage amount of US$3 million for the directors on August 11, 2018, which was reported to the Board of Directors on November 9, 2018.	
9. Please provide explanation on the improvement status of the corporate governance evaluation announced by the Taiwan Stock Exchange (TWSE) in the most recent year, and provide priority enhancement for matters yet to be improved: The Audit Committee was set up after reelection of the Director at the 2017 Shareholders' Meeting. The Company will provide relevant information of the english translation of the shareholders' meeting in 2019 and the english translation of the Financial Statements for the Years Ended December 31, 2018 and 2017.				

Note 1：Implementation of diversity policy of the Company's Board:

Diversity Core Items / Name of Director	Gender	Business Management	Leadership Decision Making	Industry Knowledge	Accounting Finance
Sen-Mei Cheng	Male	V	V	V	
Yi-Ming Lin	Male	V	V	V	
Hsi-Ming Pai	Male	V	V	V	
Shih-Chao Huang	Male	V	V	V	
Kuei-Chu Yeh	Female	V	V	V	V
Hsiu-Mai Lee Cheng	Female	V	V	V	
Cheng-Wei Cheng	Male	V	V	V	V
Chih-Yu Cheng	Male	V	V	V	V
Hsin-Jung Cheng	Male	V	V	V	
Jui-Lin Lo	Male	V	V	V	V
Chung-Cheng Wang	Male	V	V		V
Chia-Yu Chen	Female	V	V	V	V

Note 2：Evaluation of the External Auditor's Independence:

Assessment Item	Assessment Result	Whether it is Equipped with Independence
1. Are the CPAs as well as their spouses and dependents directly or indirectly related to material financial benefits of the Company?	None	Yes
2. Are the CPAs as well as their spouses and dependents in a business relationship with the Company or directors, or managerial officers such that the independence thereof can be affected?	None	Yes
3. Do the CPAs as well as their spouses and dependents assume the positions of directors, or managerial officers or job positions in direct relation with and having major impacts on the auditing work?	None	Yes
4. Are the CPA a spouse or in a direct relative, direct relationship by marriage, or second-degree relative, etc. with the directors, or managerial officers of the Company?	None	Yes
5. Do the CPAs receive gifts or presents of significant value from the Company or directors, managerial officers, or major shareholders?	None	Yes

3.4.4 The Composition, Duties and Operational Status of the Remuneration Committee

1. Information of the members of the Remuneration Committee

Criteria Title (Note 1)	Requirements / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	Independence Criteria (Note 2): 1	2	3	4	5	6	7	8	Number of other public companies concurrently serving as the members of the remuneration Committee	Note
Independent Director	Jui-Lin Lo		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Chung-Cheng Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Chia-Yu Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Criteria would be filled as Director, Independent Director or Other.

Note 2: For members conforming the following conditions during the two years before the appointment or the term of the position, please give a check mark "✓"in the black space under the code of various conditions:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

2. Duties：The committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

(1) Establish and periodically assess and review the performance of directors and managerial officers as well as the policy, system, standard, and structure for the remuneration.

(2) Regularly reviewing the compensation of directors and managerial officers.

3. Operations of the Remuneration Committee

(1) The tenure of the Company's 3rd Remuneration Committee is from June 27, 2017 to June 14, 2020. Two meetings (A) of the Remuneration Committee were held in 2018. The attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】	Note
Convener	Jui-Lin Lo	2	0	100	None
Member	Chung-Cheng Wang	2	0	100	None
Member	Chia-Yu Chen	2	0	100	None

(2) Other required notes for Remuneration Committee:

① If the Board of Directors rejects or amends the suggestions submitted by the Remuneration Committee, there shall be elaborated with the meeting dates, sessions, contents of resolutions, resolution adopted by the Board of Directors and actions taken by the Company in response to the Remuneration Committee's opinions (if the Board of Directors approved a remuneration plan better than that suggested by the Remuneration Committee, the reasons and the difference shall be elaborated): None.

② If any member has expressed opposition or reservation with respect to the resolution of the Remuneration Committee and there was a written record or written statement, there shall be elaborated with the meeting dates, sessions, contents of resolutions, the opinions of all members of the Remuneration Committee and actions taken in response to the member's opinions: None.

③In the recent year meeting dates, sessions, contents of resolutions, resolution adopted by the Remuneration Committee and actions taken by the Company in response to the Remuneration Committee's opinions:

Meeting Dates and Sessions	Contents of Resolutions	Resolution of Remuneration Committee	The Company's Response to the Remuneration Committee's Opinions
The 3rd meeting of the 3rd Remuneration Committee March 16, 2018	1. The compensations distribution to employees and directors of 2017.	Passed by all members of the Remuneration Committee unanimously.	Passed by all attending board directors unanimously.
The 4th meeting of the 3rd Remuneration Committee December 24, 2018	1. The proposal for the salary of managerial officers. 2. The 2018 (including the 2017 remuneration to employees) estimated bonuses to be distributed to managerial officers (including directors who are also an employee of the Company).	Passed by all members of the Remuneration Committee unanimously.	Passed by all attending board directors unanimously.

3.4.5 Status of Fulfilling Social Responsibilities: Systems and Measures as well as the Performance Status Adopted by the Company for Environmental Protection, Community Participation, Social Contribution, Social Service, Social Public Welfare, Consumer Rights, Human Rights, Safety, and Health as well as Other Social Reasonability Activities.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Operation Status</th><th rowspan="2">Discrepancies With the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>1.Implementation of Corporate Governance
(1) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?</td><td>✓</td><td></td><td>(1)The Company has formulated a corporate social responsibility policy and continued to implement social responsibility in accordance with this policy.</td><td>No major difference.</td></tr>
<tr><td>(2)Does the Company provide educational training on corporate social responsibility on a regular basis?</td><td>✓</td><td></td><td>(2)The Company promotes various education and training courses and propaganda on a regular or occasional basis.</td><td>No major difference.</td></tr>
<tr><td>(3)Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</td><td>✓</td><td></td><td>(3)The Labor Safety and Health Office of the Company is responsible for social responsibility related business, and regularly reports it to management.</td><td>No major difference.</td></tr>
<tr><td>(4) Does the Company declare a reasonable salary compensation policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</td><td>✓</td><td></td><td>(4) The Company has set up a Remuneration Committee, which is responsible for setting and regularly reviewing the policies, systems, standards, and structures of performance evaluation and compensation for directors and managers.
In addition, the Company has had the “Work Rules” and “Employee Performance Evaluation Rules” formulated to regulate rewards and disciplinary acts and conduct performance evaluation accordingly. The employee performance evaluation results are taken into account for employee pay raise, promotion, year-end bonus, bonus, job transfer, and lay-off.</td><td>No major difference. In the event there are regulatory requirements or actual operational needs, the Company further handles matters according to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and relevant laws.</td></tr>
</table>

Assessment Item	Operation Status			Discrepancies With the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
2.Sustainable Environment Development				
(1) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The Company is committed to waste reduction, installation of wastewater recycling, and waste gas treatment equipment, as well as resource sorting and recycling activities, implementation of industrial waste reduction, and effective use of resources and waste resources to reserve the earth's resources and to protect environmental sanitation.	No major difference.
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(2) The Company has formulated the "Environmental Policy Procedures" and updated it according to the law and regulations; also, it has handled it according to the aforementioned environment management system. All subsidiaries of the Company also comply with the relevant regulations.	No major difference.
(3) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		(3) The Company formulates the Company's energy conservation and carbon reduction and greenhouse gas reduction strategies depending on the impact of the operational activities; also, the Company continues to implement various energy conservation measures.	No major difference.
3. Preserving Public Welfare				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1)The Company has formulated the "Work Rules," "Regulations Governing Workplace Sexual Harassment Prevention and Grievances," "Written Discrimination-Free Policy," "Regulations Governing Employees Grievances," "Occupational	No major difference.

Assessment Item	Operation Status			Discrepancies With the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			Safety and Health Concepts and Work Rules," and related management policies and procedures in accordance with labor-related regulations and international human rights conventions in order to protect the rights and interests of employees.	
(2) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) The Company regularly holds labor-management meetings and set up the "Employee Opinion Mailbox" and E-mail to provide grievance mechanisms and channels for handling employee grievances promptly.	No major difference.
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The Company promotes the 8S campaign to provide employees with a clean environment and provide safety protection equipment for employees' safety and health. The Company implements an automatic inspection plan for labor safety, health and automatic safety and hygiene inspections, and regular environment inspection by environmental protection personnel to ensure workplace safety. The Company regularly arranges health checkups and additional health checks for employees engaging in particularly hazardous operations. And implements various types of work safety	No major difference.

Assessment Item	Operation Status			Discrepancies With the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			and health education and training.	
(4) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4)The Company regularly holds labor-management meetings and set up the “Employee Opinion Mailbox” and E-mail to provide a channel for employees to express their opinions in order to maintain smooth two-way communication management and interaction.	No major difference.
(5) Does the Company provide its employees with career development and training sessions?	✓		(5)In order to improve the professional quality and work skills of the employees, the Company regularly implements pre-job and on-job training to establish an effective career training program.	No major difference.
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) The Company maintains a good communication channel with customers, provides transparent and effective customer complaint handling procedures for products and services, regularly conducts customer satisfaction surveys, solves various customer complaints, improves product quality, and meets customer needs.	No major difference.
(7)Does the Company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) The Company’s marketing and labeling of products are subject to relevant regulations and international standards.	No major difference.
(8) Does the Company evaluate the records of suppliers’ impact on the environment	✓		(8)The Company performs a preliminary supplier assessment before and after	No major difference.

Assessment Item	Operation Status			Discrepancies With the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
and society before taking on business partnerships?			transactions, and a regular assessment to have quality suppliers selected as long-term partners. The raw materials provided by suppliers must be free of harmful substances; also, the Company's inspectors strictly control the products to ensure the safety of the products and jointly enhance the environmental and social responsibility of the Company.	
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) Although the Company's purchase contract signed with the supplier does not include social responsibility and environmental protection requirements, the Company regularly evaluates the suppliers and requests the suppliers abide by the corporate social responsibility policy. If the suppliers violate corporate social responsibility policies with a significant impact on the environment and society, the Company may terminate or cancel the transactions at any time in order to fulfill its corporate social responsibility.	No major difference.
4.Enhancing Information Disclosure (1)Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) The Company discloses relevant information and major information of the Company on the Market Observation Post System in accordance with the relevant laws and regulations; also, it is linked to the Company's website:	No major difference.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Operation Status</th><th rowspan="2">Discrepancies With the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>http://www.paiho.com.</td><td></td></tr>
<tr><td colspan="5">5. Where the Company establishes its own corporate social responsibilities according to the “Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, please describe the discrepancy between its operation and the principles established:
The Company has not yet formulated the “Corporate Social Responsibility Principles.” However, the Company still complies with the requirements of the laws and Articles of Incorporation and takes into account the trend of corporate social responsibility domestically and internationally, and the overall operational activities of the Company and the Group to promote various corporate social activities.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate the understanding of the status of corporate social responsibility operation:
(1)Environmental protection:
The Company’s product quality is in line with environmental regulations, and it is a “green factory” supplier recognized by international brand customers.
(2) Community participation:
The Company is keen to participate in community activities and temple fairs held in the township, and sponsors various activities, such as the Lantern Festival Campfire Party, Dragon Boat Festival, Mid-Autumn Festival, Double-Nine Festival, and Elderly Party to enhance the harmonious relationship with the township.
(3) Human rights:
In order to provide employees with a working environment free from sexual harassment, the “Regulations Governing Workplace Sexual Harassment Prevention and Grievances” is formulated; also, the “Written Discrimination-Free Policy” is formulated in accordance with the Act of Gender Equality in Employment and the SA8000 Labor Human Rights in order to maintain gender equality and personal dignity.
(4) Social welfare:
The Company occasionally participates in various social donation activities, such as sponsorship for the Homei Police Club, Lions Club, Changhua Society of Physical Education, Shuren Tongji Social Service Fund, Haoxiuri Community Development Association, and Hemei Industrial and Commercial Expo to actively give back to the community.
(5) Safety and health:
The Company has established a labor safety and health office to promote and implement the related businesses of environmental protection, safety, and health.
(6) Consumer rights:
The Company has established relevant operating procedures to safeguard consumer rights.</td></tr>
<tr><td colspan="5">7. Where the corporate responsibility report of a company involves the qualification or relevant inspection standards of certification institutions, explanations shall be provided:
The Company passed ISO9001, Adidas level 1 trims & accessories accreditation certificate, Adidas Color Process Management Accreditation Program level A1 certificate, New Balance supplier in-house laboratory certification, molded hook products passed ISO14001, automotive industry quality management system IATF16949, and aerospace industry AS9100 certification; the subsidiaries in Mainland China passed China’s national environmental quality testing, ISO14001 and ISO50001 certification ; the subsidiaries in Vietnam passed ISO9001, ISO14001, ISO50001, SA8000, and OHSAS 18001 certification.</td></tr>
</table>

3.4.6 The Status of the Company's Fulfillment of Ethical Management and Measures Adopted

Assessment Item	Operation Status			Discrepancies With the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1)The Company adheres to the business philosophy of integrity, transparency, and responsibility to establish a good corporate governance and risk control mechanism. Also, the Company complies with the relevant laws and regulations or other business conduct laws and regulations as the basic spirit of the Company to implement ethical corporate management, which is also implemented in internal management and external business activities.	No major difference.
(2)Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		(2) The Company has formulated the "Codes of Ethical Conduct" and "Work Rules" to ensure that no illegal gains can be directly or indirectly provided, promised, demanded, or accepted, and no employee should commit any act of dishonesty that violates integrity, legality, or breach of fiduciary duty to maintain or obtain illegal gains. When the Company's personnel have committed any dishonest behavior, the Company will take appropriate measures depending on the severity of the violation committed. In order to implement the ethical corporate management policy and actively prevent dishonest behavior, the Company promotes the concept of ethical corporate management through employee education and training and occasional internal meetings for employees' full understanding and truthful compliance.	No major difference.

Assessment Item	Operation Status			Discrepancies With the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) The Company reviews the risks of dishonesty at any time with the rules and regulations for rewards and punishments stipulated in the "Work Rules," which are included in the employee performance evaluation standards to enhance the effectiveness of ethical corporate management.	No major difference.
2. Implementing ethical corporate management				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) The personnel of the Company are prohibited from engaging in commercial transactions with suppliers, customers, or other business partners who are not honest; also, the transactions may be terminated or cancelled at any time upon discovery of their breach of good faith.	No major difference.
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?		✓	(2) The Company has not set up a full-time (part-time) unit to promote ethical corporate management. However, all the responsible units of the Company understand the importance of ethical corporate management and implement it substantively. The Company also regulates the implementation of matters related to ethical corporate management in the relevant internal controls operations.	No major difference. In the event there are regulatory requirements or actual operational needs, the Company further handles matters according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and relevant laws.
(3)Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) When the Company's personnel become aware of a conflict of interest while performing their business operation, they should report the relevant situation to their direct supervisor and their direct supervisor should provide appropriate guidance accordingly. In addition, the Company's website has the "Shareholder Mailbox" and "Employee Mailbox" set up, including the "Employee	No major difference.

Assessment Item	Operation Status			Discrepancies With the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			Opinion Mailbox," to provide appropriate communication channels.	
(4)Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4)The Company has established and substantively implemented the "Accounting System" and "Internal Control System." In addition to the regular evaluation of its effective operation performed by each unit, the audit unit performs an internal control cycle check according to the annual audit plan and regularly reports the audit implementation to the Board of Directors.	No major difference
(5)Does the Company regularly hold internal and external educational trainings on operational in	✓		(5) The Company promotes various education and training courses and propaganda on a regular or occasional basis.	No major difference
3.Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has had the "Work Rules" formulated to regulate employees' ability to uphold the principle of good faith in their business conduct and the reward and punishment system for their merits and demerits. The "Employee Opinion Mailbox" is provided both inside the Company and on the website. For the reporting and grievance of an integrity violation, employees may go through the mailbox or directly report to the designated personnel at the Administration Office. The personnel assigned by the Administration Office shall have it handled properly with appropriate punishment imposed depending on the circumstances of the situation.	No major difference
(2) Does the Company establish standard operating procedures for confidential reporting on investigating	✓		(2) The investigation of the reported incident is to be handled confidentially by the personnel designated by the	No major difference

<table>
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<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>accusation cases?

(3)Does the Company provide proper whistleblower protection?</td><td>

✓</td><td></td><td>Administration Office or the responsible unit appointed by the Chairman. The identity of the informant and the content of the reported incident are kept confidential.
(3)For the protection of whistleblowers, the Company does not disclose the name and related information to avoid unfair treatment and retaliation against the whistleblower.</td><td>

No major difference</td></tr>
<tr><td>4.Enhancing Information Disclosure
(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>✓</td><td></td><td>(1)The various financial and business information of the Company is disclosed on the website in order to make the information open and transparent. The Company also designates personnel to regularly announce company information on the Market Observation Post System and the Company’s website to provide accurate and complete information to the investors. In the future, the Company will gradually build and disclose information related to ethical corporate management as needed.</td><td>No major difference.</td></tr>
<tr><td colspan="5">5. If the Company has established the ethical corporate management policies based on “the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEx Listed Companies”, please describe any discrepancy between the policies and their implementation.
The Company is based on the concept of sustainable development and fulfillment of corporate social responsibilities to establish a good management system and risk control mechanism. While engaging in commercial activities, the Company’s personnel must adhere to the principles of fairness, honesty, trustworthiness, and transparency, implement ethical corporate management, and actively guard against any dishonest act.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).
The Company is based on the concept of sustainable development and fulfillment of corporate social responsibilities to establish a good management system and risk control mechanism. While engaging in</td></tr>
</table>

<table>
<tr><td rowspan="2">Assessment Item</td><td colspan="3">Operation Status</td><td rowspan="2">Discrepancies With the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary Description</td></tr>
<tr><td colspan="5">commercial activities, the Company’s personnel must adhere to the principles of fairness, honesty, trustworthiness, and transparency, implement ethical corporate management, and actively guard against any dishonest act.</td></tr>
</table>

3.4.7 The Inquiry Method for Establishes Corporate Governance Practice Principles and Relevant Regulation of the Company:

1. The Company has established corporate governance practice principles and relevant regulations are as follows:
   (1) Corporate Governance Best Practice Principles.
   (2) Rules and Procedures for Shareholders’ Meeting.
   (3) Rules and Procedures of Board of Directors’ Meeting.
   (4) Procedures for Governing the Election of Directors.
   (5) Procedures for Acquisition or Disposal of Assets.
   (6) Operational Procedures for Loaning of Company Funds.
   (7) Regulation Governing Making of Endorsements/Guarantees.
   (8) Remuneration Committee Charter.
   (9) Procedures of Internal Material Information.
   (10)Codes of Ethical Conduct.

2. The inquiry method:
   Regarding the relevant regulations of the competent authority on corporate governance, the Company provides information available for download from the “Corporate Governance Structure - Relevant Rules for Establishment of Corporate Governance” under the “Corporate Governance” of MOPS (http://mops.twse.com.tw) or under “Investor” section on the Company’s website (http:// www.paiho.com).

3.4.8 Other Significant Information that will Provide Better Understanding of the State of the Company's Implementation of Corporate Governance：

1. The Company, with the approval of the Board of Directors, formulated the “Procedures of Internal Material Information” and “Codes of Ethical Conduct” to clearly define the internal information processing and disclosure mechanisms of the Company for the compliance of the directors, managerial officers, and employees. The relevant procedure information should be sent to the directors for reference after the board meeting; also, it should be announced to all the managerial officers, and colleagues of the Company for compliance. Information should be protected from any improper disclosure; also, the consistency and correctness of the information disclosed to the public by the Company should be ensured.

2. Advanced study of the Board Directors and managerial officers in 2018:

Title	Name	Study Date	Organizer	Courses	Study Hours
Independent Director	Jui-Lin Lo	March 16, 2018	The National Federation of CPA Associations of the R.O.C	Compliance with the amended money laundering prevention law in practice.	3
Independent Director	Jui-Lin Lo	March 27, 2018	The National Federation of CPA Associations of the R.O.C	Deficiencies Identified during the Auditing and Attestation of Financial Statements Issued by Publicly Listed Companies	3
Director	Shih-Chao Huang	April 13, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Heritage	3
Independent Director	Chia-Yu Chen	April 13, 2018	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Heritage	3
Independent Director	Jui-Lin Lo	June 25, 2018	The National Federation of CPA Associations of the R.O.C	Analysis of new audit report of non-listed (OTC) companies.	3
Independent Director	Jui-Lin Lo	July 13, 2018	The National Federation of CPA Associations of the R.O.C	International assessment practice in response to money laundering.	3
Chairman	Sen-Mei Cheng	August 9, 2018	Taiwan Corporate Governance Association	How enterprises can implement energy conservation and carbon reduction, and enhance their profitability.	3
Director and General Manager	Cheng-Wei Cheng				3
Director	Shih-Chao Huang				3
Director	Hsi-Ming Pai				3
Director and Project Deputy Vice General Manager	Chih-Yu Cheng				3
Director	Hsin-Jung Cheng				3

Title	Name	Study Date	Organizer	Courses	Study Hours
Director	Hsiu-Mai Lee Cheng	August 9, 2018	Taiwan Corporate Governance Association	How enterprises can implement energy conservation and carbon reduction, and enhance their profitability.	3
Director and Vice General Manager	Kuei-Chu Yeh,				3
Director and Vice General Manager	Yi-Ming Lin				3
Independent Director	Chung-Cheng Wang				3
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng				3
Vice Senior Manager of Finance Department	Yao-Ta Huang	August 16, 2018 to August 17, 2018	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Independent Director	Chia-Yu Chen	August 30, 2018 to August 31, 2018	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Independent Director	Jui-Lin Lo	September 7, 2018	Association of Certified Public Accounts	Latest revision trend and analysis of the Company Act.	3
Director	Hsi-Ming Pai	October 5, 2018	Taiwan Academy of Banking and Financal	Corporate Governance and Corporate Sustainable Operation Workshop.	3
Chairman	Sen-Mei Cheng	November 9, 2018	Taiwan Corporate Governance Association	Business Considerations and Legal Risk Analysis of Business .Decisions	3
Director and General Manager	Cheng-Wei Cheng				3
Director and Project Vice General Manager	Chih-Yu Cheng				3

Title	Name	Study Date	Organizer	Courses	Study Hours
Director	Hsin-Jung Cheng	November 9, 2018	Taiwan Corporate Governance Association	Business Considerations and Legal Risk Analysis of Business .Decisions	3
Director	Hsiu-Mai Lee Cheng				3
Director and Vice General Manager	Kuei-Chu Yeh				3
Director and Vice General Manager	Yi-Ming Lin				3
Independent Director	Chung-Cheng Wang				3
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng				3

3. Certificate holding status for personnel associated with finance, internal audit and financial transparency:
One person in the Audit Department of the Group obtained certificate on CPA of Republic of China.

3.4.9 Status of the Internal Control System Implementation

1. Statement of internal control system

Taiwan Paiho Limited

Statement of Internal Control System

Date: March 14, 2019

Based on the findings of a self-assessment, Taiwan Paiho Limited states the following with regard to its internal control system during the year 2018:

I. The Company acknowledges and understands that the establishment, enforcement, and maintenance of the internal control systems are the responsibility of the Board of Directors and managerial officers, and that the Company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability, timeliness, transparency of financial reporting and compliance with relevant regulatory requirements.

II. Internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-monitoring mechanisms were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company evaluates the effectiveness of the design and implementation of its internal control systems in accordance with the items in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (herein below "Governing Regulations") that are related to the effectiveness of internal control systems. The Criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control environment, (2) Risk assessment, (3) Control activities, (4) Information and communication, and (5) Monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the aforementioned measures for an evaluation of the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the aforementioned evaluation, the company believes it can reasonably assure that the design and implementation of its internal control system as of December 31,2018 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, timeliness, transparency in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This statement shall be an integral part of the annual report and prospectus of the Company and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.

VII. This statement was passed by the board of directors in their meeting held on March 14, 2019, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Paiho Limited

Chairman: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

2. Disclose the Review Report of Independent Auditors if they are retained for reviewing the internal control system: None.

3.4.10 Penalty on the Company and Its Personnel or Punishment Imposed by the Company on Personnel in Violation of Internal Control System Regulations, Major Deficiencies and Improvement in the Recent Year and Up to the Annual Report Publication Date:

The spouse of a managerial officer of the Company violated Article 157 "short-term transactions" of the "Securities Exchange Act" and an amount of NT$36,854 was confiscated by exercising the returning right. The Company announces the insider trading regulations and related matters to the directors and internal personnel from time to time.

3.4.11 Major Resolutions of General Shareholders' Meeting and Board Meeting in the Recent Year and Up to the Annual Report Publication Date:

1. Major resolutions of 2018 general Shareholders' Meeting and the implementation status thereof:

Item	Major Resolutions	Implementation Status
1	Recognized the 2017 Business Report and Financial Statements.	Approved by Shareholders' Meeting.
2	Recognized of the proposal for distribution of 2017 earnings	Approved a cash dividend per share of NT$3, and allocation baseline date was August 6, 2018. Cash dividend payment date was completed by August 31, 2018.

2. Major resolutions during the Board of Directors' meetings in 2018 and and up to the annual report publication date:

Term	Date	Major Resolutions
The 5th meeting of the 12th board	March 16, 2018	(1)Approved the Company's proposed credit line application with Banks of NT$ 1,530,000 thousand and US$ 700 thousand for its operations. (2)Approved the Company to make endorsements/guarantees for its affiliates. (3)Approved the 2017 Statement of Internal Control System. (4)Approved the compensations distribution to employees and directors of 2017. (5)Approved the 2017 Business Report and Financial Statements (6) Approved the proposal for distribution of 2017 earnings. (7)Approved As of the end of December, 2017, the Company has cumulative amount of investment in China. (8)Approved the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than

Term	Date	Major Resolutions
		50% of the net worth as of the end of December, 2017. (9) Approved the amendment of the Company's "Rules of Procedure for Board of Directors' Meeting". (10)Approved the date, time, venue and agenda of the 2018 general shareholders' meeting, shareholders may also are exercised voting rights by electronically. (11)Approved the relevant matters to accept the shareholders' proposals for the 2018 general Shareholders' Meeting. (12) Approved to have some of the construction premises for sale (pre-sales) of Wuxi Paihong Real Estate Company sold to the related party (including amend and addition).
The 6th meeting of the 12th board	May 4, 2018	(1 Approved the audit fees of the CPAs of 2018. (2)Approved the assessment of the independence and competency of the CPA. (3) Approved the contents' amendment of having some of the construction premises for sale of Wuxi Paihong Real Estate Company sold to the related party. (4) Approved the procurement of machine equipment of Vietnam Paihong Company.
The 7th meeting of the 12th board	June 14, 2018	(1) Approved the appointing Chih-Yu Cheng, Director, as Project Vice General Manager of the Company's Sales Department. (2) Approved the appointing supervisor of Dongguan Powder Company. (3)Approved the Company to make endorsements/guarantees for its affiliates.
The 8th meeting of the 12th board	August 9, 2018	(1)Approved the Company's proposed credit line application with Banks of NT$ 1,110,000 thousand for its operations. (2) Approved the Company to make endorsements/guarantees for its affiliates. (3) Approved to sells some of the construction premises of Wuxi Paihong Real Estate Company to the related party.
The 9th meeting of the 12th board	November 9, 2018	(1)Approved the Company's proposed credit line application with Banks of US$ 15,000 thousand and NT$ 100,000 thousand for its operations. (2)Approved the Company to make endorsements/guarantees for its affiliates. (3) Approved to increase the capital of Vietnam Paiho Limited.
The 10th meeting of the 12th board	December 24, 2018	(1)Approved the Company to make endorsement/guarantees for its affiliates. (2) Approved the 2018 internal audit plan. (3) Approved the Company's 2019 business plan and annual budget. (4) Approved the Wuxi Paihong Real Estate Company sells some parking spaces (use rights) of "Paiho International

Term	Date	Major Resolutions
		Mansion" construction project to the related party. (5) Approved the proposal for the salary of managerial officer. (6) Approved the 2018 (including the 2017 remuneration to employees) estimated bonuses to be distributed to managerial officers (including directors who are also an employee of the Company)
The 11th meeting of the 12th board	January 25, 2019	(1)Approved the Company's proposed credit line application with Banks of NT$ 1,230,000 thousand and US$ 700 thousand for its operations. (2) Approved the proposal for the new factory-office building at the headquarters of Taiwan Paiho.
The 12th meeting of the 12th board	March 14, 2019	(1)Approved the Company to make endorsement/guarantees for its affiliates. (2)Approved the 2018 Statement of Internal Control System. (3) Approved the compensations distribution to employees and directors of 2018. (4)Approved the 2018 Business Report and Financial Statements (5) Approved the proposal for distribution of 2018 earnings. (6) Approved As of the end of December, 2018, the Company has cumulative amount of investment in China. (7) Approved the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than 50% of the net worth as of the end of December, 2018. (8)To submit the shareholders' meeting resolution to amendment the Articles of Incorporation. (9) To submit the Shareholders' Meeting resolution to amendment the Procedures for the Acquisition or Disposal of Assets. (10)To submit the Shareholders' Meeting resolution to amendment the Procedures for Financial Derivatives Transactions. (11) To submit the Shareholders' Meeting resolution to amendment the Rules of Procedure for Shareholders Meeting. (12) To submit the Shareholders' Meeting resolution to amendment the Procedures for Governing the Election of Directors. (13) To submit the Shareholders' Meeting resolution to amendment the Operational Procedures for Loaning of Company Funds. (14) To submit the Shareholders' Meeting resolution to amendment the Regulation Governing Making of Endorsements/Guarantees. (15)Approved the amendment of the "Corporate Governance Best Practice Principles".

Term	Date	Major Resolutions
		(16) Approved the date, time, venue and agenda of the 2019 general shareholders' meeting, shareholders may also are exercised voting rights by electronically. (17)Approved the relevant matters to accept the shareholders' proposals for the 2019 general Shareholders' Meeting. (18) Approved to increase the capital of the Vietnam Paihong Company. (19) Approved the proposal for the salary of managerial officers.
The 13th meeting of the 12th board	May 2, 2019	(1)Approved the Company's proposed credit line application with Banks of NT$ 1,980,000 thousand and US$ 15,000 thousand for its operations. (2)Approved the Company to make endorsement/guarantees for its affiliates. (3) Approved the amendment of the Company's "Rules of Procedure for Board of Directors' Meeting". (4)To submit the Shareholders' Meeting resolution to amendment the Operational Procedures for Loaning of Company Funds. (5) Approved the audit fees of the CPAs of 2019. (6)Approved the assessment of the independence and competency of the CPA.

3.4.12 In the Recent Year and Up to the Annual Report Publication Date, Director has Expressed Dissenting Opinion with Respect to Material Resolution Passed by the Board of Directors, and Said Dissenting Opinion has been Recorded or Prepared as Written Declaration, Disclose the Principal Content thereof: None.

3.4.13 Summary of Resignation and dismissal of the Company's Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Audit Supervisor, and Chief R&D Officer: None.

3.5 Information on Certified Public Accountant Fees

CPA Fees

Accounting Firm	Name of the CPA	CPA's Audit Period	Note
Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	January 1, 2018 to December 31, 2018	None

Unit: NT$ thousands

Intervals of the Amount \ Items of Fees		Audit Fees	Non-Audit Fees	Total
1	Less than NT$2 million		V	
2	NT$2 million (included)～$4 million	V		V
3	NT$4 million (included)～$6 million			
4	NT$6 million (included)～$8 million			
5	NT$8 million (included)～$10 million			
6	Above NT$10 million			

Unit: NT$ thousands

Accounting Firm	Name of the CPA	Audit Fees	Non-Audit Fees					CPA's Audit Period	Note
			System Design	Company Registration	Human Resource	Others (Note 1)	Sum		
Deloitte &Touche	Shu-Chin Chiang Hsiao-Fang Yen	3,620	$ 0	$ 0	$ 0	$ 250	$ 250	January 1, 2018 to December 31, 2018	None

Note 1: Non-audit fee – other mainly transfer pricing services.

3.5.1 Non-Audit Fee Paid to Auditors, the Audit Firm and Its Affiliates Accounted for More Than One-Fourth of Total Audit Fee: N/A.

3.5.2 Replaced the Audit Firm and the Audit Fee Paid to the New Audit Firm was Less Than the Payment of Previous Year: N/A.

3.5.3 Audit Fee Reduced More Than 15% Year Over Year: N/A.

3.6 Information on Replacement of CPAs: None.

3.7 The Company's Chairman, General Manager, or Managerial Officer in Charge of Finance or Accounting Matters has in the Recent Year Held a Position at the Company's Independent Certified Public Accounting Firm or Its Affiliated Enterprise: None.

3.8 Equity Transfer or Change in Equity Pledged by Directors, Managerial Officers, or Shareholders with Shareholding Percentage Exceeding 10% in the Recent Year and and Up to the Annual Report Publication Date

3.8.1 Net change in shareholding and net change in shares pledged by directors, managerial officers, and shareholders with 10% shareholding or more

Title	Name	2018		January 1 to April 15, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Sen-Mei Cheng	(399,000)	0	0	0
Vice Chairman and Vice General Manager of Sales Department	Yi-Ming Lin	0	0	0	0
Director	Hsi-Ming Pai	0	0	0	0
Director and Project Vice General Manager (Note 1)	Chih-Yu Cheng	(7,000,000)	0	0	0
Director	Hsin-Jung Cheng	0	0	0	0
Director and General Manager	Cheng-Wei Cheng	685,000	0	0	0
Director	Hsiu-Mai Lee Cheng	(485,000)	0	0	0
Director	Shih-Chao Huang	0	0	0	0
Director and Vice General Manager	Kuei-Chu Yeh	0	0	0	0
Independent Director	Chung-Cheng Wang	0	0	0	0

Title	Name	2018		January 1 to April 15, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Independent Director	Jui-Lin Lo	0	0	0	0
Independent Director	Chia-Yu Chen	0	0	0	0
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng	532,000	0	0	0
Senior Manager of Product Development	Huan-Tung Tseng	0	0	0	0
Senior Manager of Sales Department	Kuo-Chih Lai	0	0	0	0
Project Senior Manager of Sales Department	Mei-Ting Yang	0	0	0	0
Vice Senior Manager of Sales Development	Po-Hsun Huang	0	0	0	0
Vice Senior Manager of Finance Department and Chief of Accounting Department	Yao-Ta Huang	3,000	0	0	0
Senior Manager of Head Factory (Note 2)	Hui-Huang Huang	0	0	0	0
Senior Manager of Processing Factory (Note 2)	Tung-Yu Huang	0	0	(9,000)	0

Note 1: Appointed as the Projects Vice General Manager of Sales Department by the Board of Directors on August 9, 2018.
Note 2: The appointment of took effect on April 17, 2018.

3.8.2 Stock Trade with Related Party：

Name	Reason for Transfer	Date of Transaction	Counterparty	Relationship between Transferee and Directors, Managerial Officers and Major Shareholders	Number of shares	Price of Transaction (NTD)
Sen-Mei Cheng	Gift	May 23, 2018	Cheng-Wei Cheng	Father and son	342,000	68.10
Sen-Mei Cheng	Gift	May 23, 2018	Chia-Yin Cheng	Father and daughter	57,000	68.10
Chih-Yu Cheng	Gift	June 29, 2018	Chia-Hsin Tang	Spouse	3,000,000	68.00
Chih-Yu Cheng	Establish	September 28, 2018	Cide co. LTD.	Representative	4,000,000	69.00
Cheng-Wei Cheng	Recipient	May 23, 2018	Sen-Mei Cheng	Father and son	342,000	68.10
Cheng-Tsung Cheng	Recipient	May 23, 2018	A-Wei Chen Cheng	Mother and son	342,000	68.10
Hsiu-Mai Lee Cheng	Gift	August 17, 2018	Yi-Lun Cheng	Mother and daughter	161,000	56.00
Hsiu-Mai Lee Cheng	Gift	August 17, 2018	Hsiu-Yun Cheng	Mother and daughter	162,000	56.00
Hsiu-Mai Lee Cheng	Gift	August 17, 2018	Ya-Ling Cheng	Mother and daughter	162,000	56.00

3.8.3 Stock Pledge with Related Party：None.

3.9 Relationship Information, the Company's 10 Largest Shareholders who are Related Parties or Each Other’s Spouses, and Relatives within the Second Degree of Kinship

10 Largest Shareholders who are Related Parties to Each Other

As of April 15, 2019 (Unit: Shares)

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Top 10 Shareholders Who are Related Parties to Each Other		Note
	Number of shares	Proportion	Number of shares	Proportion	Number of shares	Proportion	Name	Relationship	
Fubon Life Insurance Co., Ltd Representative:Ming-Hsiung Tsai	23,235,000	7.80%	0	0.00%	0	0.00%	None	None	None
Capital Securities (HK) Ltd.	12,122,959	4.07%	0	0.00%	0	0.00%	None	None	None
China Trust Commercial Bank is custody for Beevest Securities Limited	9,528,228	3.20%	0	0.00%	0	0.00%	None	None	None
Sen-Mei Cheng	7,943,976	2.67%	6,282,856	2.11%	0	0.00%	A-Wei Chen Cheng Cheng-Wei Cheng Cheng-Tsung Cheng	Spouse The first degree The first degree	None
Chih-Yu Cheng	7,718,309	2.59%	2,066,000	0.69%	4,010,000	1.35%	None	None	None
New Labor Pension Fund	7,220,000	2.42%	0	0.00%	0	0.00%	None	None	None
A-Wei Chen Cheng	6,282,856	2.11%	7,943,976	2.67%	0	0.00%	Sen-Mei Cheng Cheng-Wei Cheng Cheng-Tsung Cheng	Spouse The first degree The first degree	None
Cheng-Wei Cheng	5,444,553	1.83%	360,551	0.12%	0	0.00%	Sen-Mei Cheng A-Wei Chen Cheng Cheng-Tsung Cheng	The first degree The first degree The second degree	None
Cheng-Tsung Cheng	5,308,424	1.78%	198,840	0.07%	0	0.00%	Sen-Mei Cheng A-Wei Chen Cheng Cheng-Wei Cheng	The first degree The first degree The second degree	None
Hsin-Jung Cheng	5,014,344	1.68%	0	0.00%	0	0.00%	None	None	None

3.10 The Number of Shares Held by the Company, its Directors and Managerial Officers, and Directly or Indirectly Controlled Investment Companies in the same investment companies, and the combined calculation of shareholding percentages

As of April 15, 2019 (Unit: Shares)

Investments Company (Note)	Investments by the Company(1)		Investments from Directors, Managerial Officers, and Directly or Indirectly Controlled Companies (2)		Total Investment(1)+(2)	
	Number of shares	Proportion	Number of shares	Proportion	Number of shares	Proportion
Paiho Int'l Limited	33,368,564	100%	0	0%	33,368,564	100%
Paiho Group Inc.	26,505,685	100%	0	0%	26,505,685	100%
Spring Rich Limited	N/A	100%	N/A	0%	N/A	100%
Paiho North America Corporation	800,000	100%	0	0%	800,000	100%
Pt. Paiho Indonesia	178,200	99%	1,800	1%	180,000	100%
Vietnam Paiho Limited	N/A	33%	N/A	67%	N/A	100%

Note: Invested by the Company using the equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital Stock

Year	Issue Price	Authorized Share Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
April 1995	10	30,420,000	$ 304,200,000	30,420,000	$ 304,200,000	Capitalization of earnings.	None	Note 1
July 1997	10	36,504,000	365,040,000	36,504,000	365,040,000	Capitalization of earnings and capital surplus.	None	Note 2
November 1997	10	41,040,000	410,040,000	41,004,000	410,040,000	Cash capital increase.	None	Note 3
May 1998.	10	80,000,000	800,000,000	54,125,280	541,252,800	Capitalization of earnings and cash capital increase.	None	Note 4
June 1999	10	80,000,000	800,000,000	62,244,080	622,440,800	Capitalization of earnings.	None	Note 5
June 2000	10	80,000,000	800,000,000	78,039,100	780,391,000	Capitalization of earnings and employee bonuses.	None	Note 6
May 2001	10	120,000,000	1,200,000,000	90,244,965	902,449,650	Capitalization of earnings and employee bonuses.	None	Note 7
July 2002	10	120,000,000	1,200,000,000	106,286,609	1,062,866,090	Capitalization of earnings and employee bonuses.	None	Note 8
July 2003	10	200,000,000	2,000,000,000	128,493,930	1,284,939,300	Capitalization of earnings and employee bonuses.	None	Note 9

Year	Issue Price	Authorized Share Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
July 2003	10	200,000,000	2,000,000,000	131,608,362	1,316,083,620	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 10
September 2003	10	200,000,000	2,000,000,000	132,223,486	1,322,234,860	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 11
October 2003	10	200,000,000	2,000,000,000	132,357,982	1,323,579,820	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 12
July 2004	10	200,000,000	2,000,000,000	146,225,245	1,462,252,450	Conversion of the”overseas convertible corporate bond payable” to common stock shares.	None	Note 13
September 2004	10	200,000,000	2,000,000,000	160,241,043	1,602,410,430	Capitalization of earnings and employee bonuses.	None	Note 14
July 2005	10	240,000,000	2,400,000,000	177,109,789	1,771,097,890	Conversion of the”overseas convertible corporate bond payable” to common stock shares.	None	Note 15
September 2005	10	240,000,000	2,400,000,000	194,033,893	1,940,338,930	Capitalization of earnings and employee bonuses.	None	Note 16
June 2006	10	240,000,000	2,400,000,000	194,133,842	1,941,338,420	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 17
August 2006	10	240,000,000	2,400,000,000	216,377,570	2,163,775,700	Capitalization of earnings and employee bonuses.	None	Note 18
January 2007	10	240,000,000	2,400,000,000	229,213,168	2,292,131,680	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 19
April 2007	10	240,000,000	2,400,000,000	232,778,611	2,327,786,110	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 20

Year	Issue Price	Authorized Share Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
July 2007	10	240,000,000	2,400,000,000	233,073,874	2,330,738,740	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 21
September 2007	10	270,000,000	2,700,000,000	257,552,972	2,575,529,720	Capitalization of earnings and employee bonuses.	None	Note 22
October 2007	10	270,000,000	2,700,000,000	258,116,482	2,581,164,820	Conversion of the”convertible corporate bond payable” to common stock shares.	None	Note 23
August 2008	10	300,000,000	3,000,000,000	285,439,130	2,854,391,300	Capitalization of earnings and employee bonuses.	None	Note 24
February 2009	10	300,000,000	3,000,000,000	279,496,130	2,794,961,300	Capital reduction and cancellation of treasury share.	None	Note 25
August 2010	10	300,000,000	3,000,000,000	293,470,936	2,934,709,360	Capitalization of earnings.	None	Note 26
March 2012	10	380,000,000	3,800,000,000	278,470,936	2,784,709,360	Capital reduction and cancellation of treasury share.	None	Note 27
September 2012	10	380,000,000	3,800,000,000	297,963,902	2,979,639,020	Capitalization of earnings.	None	Note 28

	Date	Approval Document No.	Content
Note 1	April 22, 1995	(1995)Tai Cai Zheng (1) No. 20043.	Approved the capitalization of the earnings of NT$50,700,000 with 5,070,000 common stock share issued at NT$10 per for a grand total of NT$50,700,000.
Note 2	July 3, 1997	(1997)Tai Cai Zheng (1) No. 52450.	Approved the capitalization of the earnings of NT$ 42,588,000 and capital surplus of NT$18,252,000 with 6,084,000 common stock share issued at NT$10 per for a grand total of NT$60,840,000.
Note 3	November 21, 1997	(1997)Tai Cai Zheng (1) No. 86218.	Approved the cash capital increase with 4,500,000 common stock share issued at NT$10 per for a grand total of NT$45,000,000.
Note 4	May 22, 1998	(1998)Tai Cai Zheng (1) No. 45437.	Approved the c cash capital increase of NT$ 49,204,800 and the capitalization of the earnings of NT$ 82,008,000 with 13,121,280 common stock share issued at NT$10 per for a grand total of NT$131,212,800.
Note 5	June 30, 1999	(1999)Tai Cai Zheng (1) No. 56870.	Approved the capitalization of the earnings of NT$81,188,000 with 8,118,800 common stock share issued at NT$10 per for a grand total of NT$81,188,000.
Note 6	June 28, 2000	(2000)Tai Cai Zheng (1) No. 55291.	Approved the capitalization of the earnings and employee bonuses of NT$ 157,950,200 with 15,795,020 common stock share issued at NT$10 per for a grand total of NT$ 157,950,200.
Note 7	May 28, 2001	(2001)Tai Cai Zheng (1) No. 132792.	Approved the capitalization of the earnings and employee bonuses of NT$122,058,650 with 12,205,865 common stock share issued at NT$10 per for a grand total of NT$122,058,650.
Note 8	July 16, 2002	(2002)Tai Cai Zheng (1) No. 0910139349.	Approved the capitalization of the earnings and employee bonuses of NT$ 160,416,440 with 16,041,644 common stock share issued at NT$10 per for a grand total of NT$ 160,416,440.
Note 9	July 9, 2003	(2003)Tai Cai Zheng (1) No. 0920130748.	Approved the capitalization of the earnings and employee bonuses of NT$ 222,073,210 with 22,207,321 common stock share issued at NT$10 per for a grand total of NT$ 222,073,210.
Note 10	July 31, 2003	Shou Shang Zi No.09201235800.	Conversion of the “convertible corporate bond payable” to 3,114,432 common stock shares at NT$10 per for a grand total of NT$31,144,320.
Note 11	September 18, 2003	Shou Shang Zi No.09201270500.	Conversion of the “convertible corporate bond payable” to 615,124 common stock shares at NT$10 per for a grand total of NT$6,151,240.

	Date	Approval Document No.	Content
Note 12	October 17, 2003	Shou Shang Zi No. 09201294010.	Conversion of the “convertible corporate bond payable” to 134,496 common stock shares at NT$10 per for a grand total of NT$1,344,960.
Note 13	July 30, 2004	Shou Shang Zi No. 09301132410.	Conversion of the “overseas convertible corporate bond payable” to 13,867,263 common stock shares at NT$10 per for a grand total of NT$138,672,630.
Note 14	September 29, 2004	Shou Shang Zi No. 09301182350.	Approved the capitalization of the earnings and employee bonuses of NT$ 140,157,980 with 14,015,798 common stock share issued at NT$10 per for a grand total of NT$ 140,157,980.
Note 15	July 21, 2005	Shou Shang Zi No. 09401138220.	Conversion of the “overseas convertible corporate bond payable” to 16,868,746 common stock shares at NT$10 per for a grand total of NT$168,687,460.
Note 16	September 12, 2005	Shou Shang Zi No. 09401173130.	Approved the capitalization of the earnings and employee bonuses of NT$ 169,241,040 with 16,924,104 common stock share issued at NT$10 per for a grand total of NT$ 169,241,040.
Note 17	July 20, 2006	Shou Shang Zi No. 09501153840.	Conversion of the “convertible corporate bond payable” to 99,949 common stock shares at NT$10 per for a grand total of NT$ 999,490.
Note 18	September 22, 2006	Shou Shang Zi No. 09501216590.	Approved the capitalization of the earnings and employee bonuses of NT$ 222,437,280 with 22,243,728 common stock share issued at NT$10 per for a grand total of NT$222,437,280.
Note 19	January 16, 2007	Shou Shang Zi No. 09601010320.	Conversion of the “convertible corporate bond payable” to 12,835,598 common stock shares at NT$10 per for a grand total of NT$ 128,355,980.
Note 20	April 20, 2007	Shou Shang Zi No. 09601084620.	Conversion of the “convertible corporate bond payable” to 3,565,443 common stock shares at NT$10 per for a grand total of NT$ 35,654,430.
Note 21	July 17, 2007	Shou Shang Zi No. 09601166840.	Conversion of the “convertible corporate bond payable” to 295,263 common stock shares at NT$10 per for a grand total of NT$ 2,952,630.
Note 22	September 11, 2007	Shou Shang Zi No. 09601222830.	Approved the capitalization of the earnings and employee bonuses of NT$244,790,980 with 24,479,098 common stock share issued at NT$10 per for a grand total of NT$244,790,980.

	Date	Approval Document No.	Content
Note 23	October 11, 2007	Shou Shang Zi No. 09601248900.	Conversion of the “convertible corporate bond payable” to 563,510 common stock shares at NT$10 per for a grand total of NT$ 5,635,100.
Note 24	August 19, 2008	Shou Shang Zi No. 09701207530.	Approved the capitalization of the earnings and employee bonuses of NT$273,226,480 with 27,322,648 common stock share issued at NT$10 per for a grand total of NT$ 273,226,480.
Note 25	February 17, 2009	Shou Shang Zi No. 09801027870.	Wrote off 5,943,000 shares of treasury stock at NT$10 per for a grand total of NT$ 59,430,000.
Note 26	August 26, 2010	Shou Shang Zi No. 09901192020.	Approved the capitalization of the earnings of NT$139,748,060 with 13,974,806 common stock share issued at NT$10 per for a grand total of NT$139,748,060.
Note 27	March 26, 2012	Shou Shang Zi No. 10101050500.	Wrote off 15,000,000 shares of treasury stock at NT$10 per for a grand total of NT$150,000,000.
Note 28	September 25, 2012	Shou Shang Zi No. 10101197760.	Approved the capitalization of the earnings of NT$ 194,929,660 with 19,492,966 common stock share issued at NT$10 per for a grand total of NT$ 194,929,660.

Type of shares:

As of April 15, 2019; Unit: shares

Type of Shares	Authorized Share Capital				Note
	Outstanding (Note)		Unissued Shares	Total	
	Listed on TWSE	Non-listed			
Common Stock	297,963,902	0	82,036,098	380,000,000	None

Note：Listed on TWSE.

Information for shelf registration: None.

4.1.2 Shareholder Structure

As of April 15, 2019; Unit: persons/shares/%

Shareholder's Structure / Number	Governmental Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Natural Persons	Total
Number of shareholders	1	23	134	24,577	181	24,916
Shareholding(Shares)	33	37,387,799	43,484,767	142,498,144	74,593,159	297,963,902
Holding Percentage (%)	0.00%	12.55%	14.59%	47.83%	25.03%	100.00%

4.1.3 Diffusion of Share Ownership

1. Common shares

As of April 15, 2019; Unit: persons/shares/%

Class of Shareholdings	Number of Shareholders	Shareholdings	Shareholdings Percentage
1 - 999	13,825	1,026,885	0.34%
1,000 - 5,000	8,658	16,847,649	5.65%
5,001 - 10,000	1,137	8,904,517	2.99%
10,001 - 15,000	377	4,880,961	1.64%
15,001 - 20,000	219	3,993,526	1.34%
20,001 - 30,000	191	4,878,121	1.64%
30,001 - 40,000	81	2,940,878	0.99%
40,001 - 50,000	56	2,609,935	0.88%
50,001 - 100,000	138	9,936,827	3.33%
100,001 - 200,000	78	11,166,504	3.75%
200,001 - 400,000	57	15,995,886	5.37%
400,001 - 600,000	26	12,624,870	4.24%
600,001 - 800,000	20	13,520,451	4.54%
800,001 - 1,000,000	7	6,431,517	2.16%
More than 1,000,001	46	182,205,375	61.14%
Total	24,916	297,963,902	100.00%

2. Preferred stock: N/A.

4.1.4 List of Major Shareholders

All Shareholders with a shareholding percentage 5% or Greater, or the Names of the Top Ten Shareholders, the Number of Shares and Shareholding Percentage.

As of April 15, 2019

Shares / Name of Major Shareholders	Number of shares (shares)	Shareholding Percentage
Fubon Life Insurance Co.,Ltd Representative: Ming-Hsiung Tsai	23,235,000	7.80%
Capital Securities (HK) Ltd.	12,122,959	4.07%
China Trust Commercial Bank is custody for Beevest Securities Limited.	9,528,228	3.20%
Sen-Mei Cheng	7,943,976	2.67%
Chih-Yu Cheng	7,718,309	2.59%
New Labor Pension Fund	7,220,000	2.42%
A-Wei Chen Cheng	6,282,856	2.11%
Cheng-Wei Cheng	5,444,553	1.83%
Cheng-Tsung Cheng	5,308,424	1.78%
Hsin-Jung Cheng	5,014,344	1.68%

4.1.5 Market Prices, Net Worth, Earnings, Dividends, and Other Relevant Information in the Past Two Years and Up to the Annual Report Publication Date

Item			2017	2018	As of March 31, 2019
Market Price Per Share	Highest Price		141.00	133.00	74.50
	Lowest Price		90.60	42.00	49.00
	Average Price		112.87	70.55	66.07
Net Worth Per Share	Before Distribution		27.88	29.46	31.17
	After Distribution		24.88	29.46 (Note 4)	Note 4
Earnings Per Share	Weighted Average Shares		297,963,902	297,963,902	297,963,902
	Earnings Per Share (NT$ dollars)	Before Distribution	5.44	4.57	1.36
		After Distribution	5.44	4.57	N/A
Dividends Per Share	Cash Dividends		3.0	2.6 (Note 4)	N/A
	Stock Dividends	Earnings Distribution	0	0	N/A
		Capital Distribution	0	0	N/A
	Accumulated Undistributed Dividend		0	0	N/A
Return on Investment	Price / Earnings Ratio (Note 1)		20.75	15.44	N/A
	Price / Dividend Ratio (Note 2)		37.62	27.13	N/A
	Cash Dividend Yield (Note 3)		2.66%	3.69%	N/A

Note 1: Price/Earnings Ratio = Average market price / Earnings per share.
Note 2: Price/Dividend Ratio = Average market price / Cash dividends per share.
Note 3: Cash Dividend Yield = Cash dividends per share / Annual average market price.
Note 4: The proposal for distribution of 2018 is adopted by the Board of Directors, but has not yet been resolved in the general Shareholders' Meeting.

4.1.6 Company's Dividend Policy and Implementation Status

1. Dividend policy under the Articles of Incorporation

   To coordinate with the integrated environment and maturity characteristics of industry and in consideration of future business expansion, capital demand and influences on Company and shareholders imposed by tax system, distribution of Company share interest will be adjusted and issued in accordance with the profit condition so as to maintain the steady growth of surplus profit of each share. The dividend distribution ratio shall not less than 25% of the balance after the Company's after-tax profit minus the following items, includes accumulated losses, provision of legal reserve and other deductions of undistributed profit of the year. The ratio of distributions of cash dividends shall not to be lower than 15% of the total amounts of dividends, and the remaining will issue stock dividends.

2. Proposed dividends distribution in the current year (not yet approved by the Shareholders' Meeting)

   The Board of Directors of the Company resolved on March 14, 2019 to appropriate a legal reserve of NT$136,030,604 (the same currency hereinafter), special reserve of (NT$1,301,090), and cash bonus of NT$774,706,146 (cash dividend NT$2.6 per share) to the shareholders from the unappropriated earnings as of the end of 2018.

4.1.7 The Impacts of Stock Dividends Issuance on Business Performance and Earnings Per Share：

Unit: NT$ thousands, except cash dividend per share NT$

<table>
<tr><th colspan="3">Year / Item</th><th>2019</th></tr>
<tr><td colspan="3">Beginning Paid-In Capital</td><td>$2,979,639</td></tr>
<tr><td rowspan="3">Dividend Distribution</td><td colspan="2">Cash Dividend Per Share (NT$)</td><td>2.6</td></tr>
<tr><td colspan="2">Stock Dividend Per Share for Capital Increase from Retained Earnings (Share)</td><td>0</td></tr>
<tr><td colspan="2">Stock Dividend Per Share for Capital Increase from Capital Reserve (Share)</td><td>0</td></tr>
<tr><td rowspan="7">Business Performance Variation</td><td colspan="2">Profit from Operations</td><td rowspan="13">Note</td></tr>
<tr><td colspan="2">Year-on-Year Increase / Decrease (%) of Operating Profit</td></tr>
<tr><td colspan="2">Net Profit after Tax</td></tr>
<tr><td colspan="2">Year-on-Year Increase / Decrease (%) of Net Profit after Tax</td></tr>
<tr><td colspan="2">Earnings Per Share</td></tr>
<tr><td colspan="2">Year-on-Year Increase / Decrease of Earnings Per Share</td></tr>
<tr><td colspan="2">Average Return Over Investment (Annualized)</td></tr>
<tr><td rowspan="6">Pro Forma Earnings Per Share and its P/E Ratio</td><td rowspan="2">If Cash Dividend is Distributed Instead of Capital Increase from Retained Earnings</td><td>Pro Forma Earnings Per Share (NTD)</td></tr>
<tr><td>Pro Forma Average Return N/A Over Investment (Annualized)</td></tr>
<tr><td rowspan="2">If No Capital Increase from Capital Reserve</td><td>Pro Forma Earnings Per Share (NTD)</td></tr>
<tr><td>Pro Forma Average Return N/A Over Investment (Annualized)</td></tr>
<tr><td rowspan="2">If No Capital Reserve and Cash Dividend is Distributed Instead of Capital Increase from Retained Earnings</td><td>Pro Forma Earnings Per Share (NTD)</td></tr>
<tr><td>Pro Forma Average Return N/A Over Investment (Annualized)</td></tr>
</table>

Note: The Company is not required to disclose its 2019 financial forecast.

4.1.8 Employees' Compensation and Remuneration to Directors

1. The percentages or ranges with respect to employees' compensation and remuneration to directors, as set forth in the Articles of Incorporation:
   (1) According with the provisions of the Articles of Company are as follows:
   Article 29:
   The Company shall set aside no less than 1% of the profit of the fiscal year for Employees' compensation and may appropriate no higher than 2% of the same profit as Directors' remuneration. However, if the Company has accumulated losses, the Company shall reserve an amount to offset it.
   The profit of the fiscal year described above shall mean the profit before income tax less Employees' compensation and Directors' remuneration.
   The appropriation of Employees' compensation and Directors' remuneration are resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting.
   Employees' compensation shall be distributed in the form of shares or in cash. Employees eligible for such compensation may include those of the Company's subsidiaries meeting certain conditions.
   (2)The directors of the Company are entitled to receive an allowance for transportation on a monthly basis and according to the meeting attendance, which amount is determined by the Board of Directors. In addition, the shareholders or directors of the Company who act as managerial officers or employees are entitled to the salary as general employees of the Company.
   (3)The Company authorizes the Board of Directors to agree on the director's remuneration according to the general standards of the industry. The remuneration to directors for their services shall be paid regardless of the profit or loss of the Company.

2. The basis for estimating the amount of employees' compensation and remuneration to directors, for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
   The amount of compensation to employees and remuneration to directors is based on past experience to properly estimate, and it is recognized as a current expense. If there is a material change in the amount of distribution resolved by the Board of Directors after the current period, such change should be adjusted to the current expenses. If the amount of change is insignificant by the standards, it can be treated as changes in accounting estimates and classified as profit or loss of the next year.

3. Information on approval by the Board of Directors of distribution of compensation:

(1)Distribution of employees' cash compensation of NT$ 23,920,348 and remuneration to directors of NT$ 15,418,806.

Unit: NT$

Item	Board Resolution	Estimates	Discrepancy	Cause of Difference	Treatment of discrepancy
Employees' Compensation	$23,920,348	$23,640,992	$ 279,356	It is adjusted according to the actual annual performance.	The amount of difference is adjusted to the statement of the first quarter of 2019.
Remuneration to Directors	15,418,806	15,238,736	180,070		

(2) The amount of any employees' compensation distributed in stocks, and the size of that amount as a percentage of the sum of the net profit after-tax stated in the parent company only financial reports or individual financial reports for the current period and total employees' compensation: N/A.

4. If there is any discrepancy between the actual amount of rewards distributed to employees and directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of rewards for employees and directors in the previous year, the amount, causes and treatment of such discrepancies shall be stated:

Unit: NT$

Item	2017		Discrepancy	Cause of Difference	Treatment of discrepancy
	Actual Amount Resolved by the Board of Directors	Estimates			
Employees' Compensation	$28,483,123	$28,828,129	($ 345,006)	It is adjusted according to the actual annual performance.	The amount of difference is adjusted to the statement of the first quarter of 2018.
Remuneration to Directors	18,359,923	18,582,311	(222,388)		

4.1.9 Repurchase of Company Shares：None.

4.2 Status of Corporate Bonds：None.

4.3 Status of Preferred Shares, Status of Global Depository Shares, Status of Employee Stock Option, Status of Employee Restricted Stock, Status of New Share Issuance in Connection with Mergers and Acquisitions or in Exchange for the Shares of another Company：None

4.4 Implementation of the Company's Capital Allocation Plans：None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main business：

The main business items of the Company include the manufactures and sells of touch fasteners, webbing (shoelaces), elastic, easy tape, powder coating, jacquard digital woven fabric, jacquard engineered mesh, and various processing (such as 3C accessories, medical accessories, automotive and aerospace accessories combination processing) and other products, also, sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

2. Sales revenue percentage

Unit: NT$ thousands

Year / Product Category	2018	
	Consolidated Net Sales	As % of Net Sales Ratio
Webbing(Shoelaces)	$ 6,216,355	45.3
Touch Fastener	2,152,300	15.7
Elastic	1,655,045	12.1
Easy Tape and Relative Products	1,253,340	9.1
Premises (include Parking Spaces)	1,523,930	11.1
Powder Coating	380,743	2.8
Other	534,337	3.9
Total	$13,716,050	100.0

3. Products currently offered by the Company

(1) Webbing (shoelaces): The main products include general footwear and webbings for garments, shoelaces, and pull strings with various tips, reflective materials, and Jacquard fabric weaving functions, so the products are versatile, safe, and fashionable.

(2) Touch fastener: The main features are that the hooks and the loops are woven with nylon raw material yarn, good weaving quality, tensile strength, and good product durability.

(3) All kinds of knitted elastic, flat woven elastic, jacquard elastic, and 4-way stretchable elastic-knitted uppers: The main features are the use of all kinds of natural rubber or artificial rubber threads that have long-lasting tension, excellent permeability, water resistance and low retraction rate, deformation-free,

etc.

(4) Easy tape products: The main features are continuous extrusion molding, stable quality, good precision, fine hook pattern, complete hook collection, strong horizontal tension, durable joints, hook surface elasticity memory, long service life, coloring, computer printing or high-frequency press without sewing, and a variety of processing combinations to create added value.

(5) Functional yarn fiber: The main products include infrared bamboo charcoal yarn, bamboo charcoal insulation cotton, recycled pet yarn, and other processed products.

(6) Powder coating products: Mainly used for the surface coating of various types of furniture, appliances, etc.

(7) Others: In order to satisfy customers' needs for one-stop shopping, there are also jacquard digital woven fabric and jacquard engineered mesh that can be used in fabrics for shoes, garments, and hats and bags; also, sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

4. New products (service) development plan

The annual planned development in 2019 for new products of the Company include: the LED Active Safety Tap, Colorful Mesh Upper Fasteners and Cufflinks, Honeycomb Pattern High Strength Upper Mesh Structure and Unique Jacquard Banana Shoelaces and Drawcords.

5.1.2 Industry Overview

1. Current status and development of industry

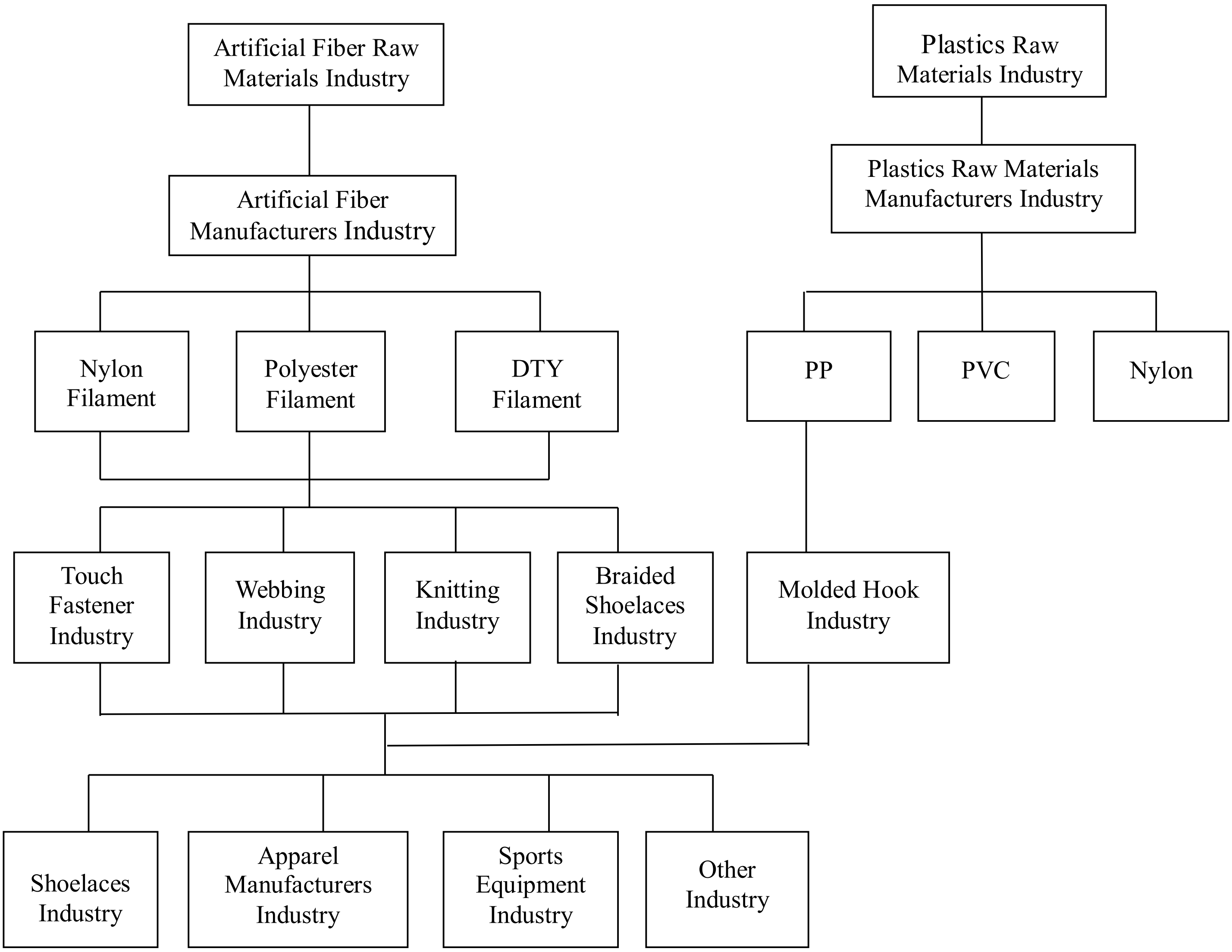
The Company's main products include upper materials, touch fastener, all kinds of webbing (shoelaces), easy tape, Jacquard elastic, and reflective materials. Its development trend is closely related to the trend of garments, footwear, and various health, leisure, and sports industries. In recent years, global fashion and sporting goods have been continuously updated. The development of the overall industry can be described as ever-changing. In addition to the basic requirements of product functions, it also follows the changes of the times, emphasizes fashion trends with popular products, and guides the concept of safety and environmental protection into this industry. With the new trends and new ideas introduced, the overall industry is booming and the industry chain is constantly developing and diversifying

In recent years, the global economy has gradually recovered, making sports popular, and all major sports brands continue to grow. The trend of the footwear industry is moving towards Industry 4.0 with changes in automation and process simplification. So, we continue to innovate, to research and develop, and to strengthen our interaction and cooperation with major brands in order to continuously maintain our advantages.

Due to the impact of the US-China trade negotiation, customers' industries have moved southward. Therefore, the Group has expanded its production lines and production capacity in Indonesia and Vietnam. In addition, there are some uncertainties in international monetary policy and industrial policy, but the development model of the entire industrial chain is not in the rush to change; however, due to the rapid change in the market, it remains the focus and concern of the industry. In addition, the awareness of environmental protection in the world is awakening, and branding companies have made great efforts to respond to the plea of environmental protection, such as, environmental protection, recycling, energy conservation and waste reduction, and reduction of greenhouse gas emissions. Therefore, branding companies have also continuously enhanced environmental protection issues and set target requirements. In addition to focusing on non-toxic and harmless products, reduction of carbon emissions, water footprints, and carbon footprint certification, the use of environment-friendly materials is constantly innovated, such as, recycled pet yarns, marine recycled yarns, etc., and challenging the supply chain's innovation and reformation in equipment and process.

In recent years, with the increasing emphasis on health and leisure, the participation in sports-related activities has gradually increased, causing the market for sportswear products to gradually expand, so the market demand for sports footwear will continue to grow. The global textile consumer market has been developed with both functionality and environmental protection emphasized, so the combination of both functionality and environmental protection is the future of the textile industry. The production process of environment-friendly textiles has a focus on low pollution and low energy consumption; also, it has a plea of recycling and easing the burden on the earth.

2. Relevance of up-, middle- and downstream a of the industry supply chain



3. Product development trends and competition

(1) Product development trends

In addition to the continuous improvement of health, leisure, and functionality, branding companies have also gradually attached importance to environmental protection. The RSL, EU REACH, and ROSH regulations, including brand ZDHC regulations, require products to be made without containing hazardous substances, chemicals, and heavy metals. In addition, with the increase in labor costs and the plea of environmental protection and energy conservation, various types of products with simplified production processes and depletion losses are also the trend of future industrial development.

(2) Competition

At present, in horizontal competition, although the relevant competitors are numerous, because the belt buckle products and processes of the competitors are incomplete and most of them have one single product available for competition; also, their product quality is inferior; therefore, they lack the capability to cooperate with major brand customers. The Company’s various processes are complete and the product line is diversified. At present, more investment is made in equipment and high-tech for Jacquard digital woven Fabric and Jacquard Engineered Mesh Upper to provide customers with a comprehensive one-stop shopping service. The Company has established R&D, production, and sales bases in Taiwan, China Wuxi, China Dongguan, Vietnam, and Indonesia. A service base in Portland, USA is also set up to make direct contact with the headquarters of many international brands. It is beyond the reach of the peers in this industry. Therefore, the Company has an excellent advantage in competition.

5.1.3 Technology and Research and Development Overview

1. Research and development budget investment in the recent year

The ratio of the research and development expenses over the net sales of the Company in the recent year and up to March 31, 2019 is as follows:

Unit: NT$ thousands

Year / Item	2018	As of March 31, 2019
Consolidated Research and Development Expenses	$ 476,405	$ 131,565
Consolidated Net Sales	13,716,050	4,343,929
Ratio of R&D Expenses to Net Sales	3.5%	3.0%

2. Technologies or products developed in the recent year

The most recent year development products include the development of Fastener for Sporting Shoes, Jacquard Woven Fringed Tape, Development of Spray Dyed Color Yarn and Black Spider Series – 4-Way Stretchable Elastic.

3. The future R&D expenses

The Company continues to develop new products and to expand new applications with a focus on all kinds of webbing (shoelaces), easy tape and reflective products, touch fastener, elastic, and other accessories, as well as 4-way stretchable elastic-knitted uppers, jacquard digital woven fabric and jacquard engineered mesh, and other main products. It is estimated that the annual R&D expense ratio will account for about 3% of net sales.

5.1.4 Long-Term and Short-Term Business Development Plans.

1. Short-term business development plans

(1) Expand our customer base, strengthen existing and potential customers' understanding on the intended use of our products; also, expand the intended use of our products by customers at all levels.

(2) Actively innovate, research, and develop. Issue new product catalogues at least two times every year; also, actively invite material suppliers and traders to give briefings on materials and participate in global conferences to promote new products, improve international visibility, and create higher sales performance.

(3) Strengthen the promotion of easy tape, such as, the popularization of footwear and garments; also, strengthen the development in the market for disposable products and electronic pipeline products in the automotive industry, disposable paper diapers and medical protective gear, surgical gowns, etc.

(4) Amplify the production capacity and business promotion of jacquard digital woven fabric and jacquard engineered mesh and 4-way stretchable elastic-knitted uppers in order to increase business opportunities.

(5) In response to the demand of global branding companies and suppliers for shorter delivery schedules, the production line and equipment technology are moving towards automation planning, reducing manpower, improving efficiency, and optimizing processes in order to adhere to good quality and shorter product delivery schedules.

2. Long-term business development plans

(1) Based on the objective of "Strengthening Customer Satisfaction" and the concept of serving customers in the vicinity, we will strengthen links with domestic and offshore brand customers in order to provide products to customers within the time specified by the customers, that is, to provide services to customers through the concept of global operation.

(2) Assess the overall market demand and the capacity adjustment status of the customers, establish overseas locations or adjust the production capacity and product structure of each base in a timely manner, and strengthen the competitiveness of the Group's products internationally.

(3) In addition to maintaining the existing advantages, the Company is more active and attaches importance to the concern of environmental protection, functionality, and technologies in researching and developing various products, expanding the customer base from other industries, and enhancing the competitive advantage of the Company's products.

(4) The Company and its overseas subsidiaries have gradually improved the production equipment and various processing and post-processing facilities for various products. The local one-step production process of each product has been carried out to fully enhance the competitiveness and market share.

5.2 Market and Production/Sales Overview

5.2.1 Market Analysis

1. Sales region of main products

Unit: NT$ thousands

Year / Sales Area	2017		2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	$ 1,791,200	15.3	$ 1,446,938	10.6
China	4,158,235	35.4	5,858,782	42.7
Asia	5,119,626	43.6	5,797,596	42.2
Americas	486,664	4.1	426,859	3.1
Others	192,231	1.6	185,875	1.4
Total	$ 11,747,956	100.0	$ 13,716,050	100.0

2. Market share

(1) Over the past 30 years, Paiho Group has been focused on product innovation and gradually moving towards diversified and multi-dimensional development. There are many products provided to customers in various industries, including shoes, garments, raincoats, bags, hats, sports equipment, medical equipment, stationery, toys, hand tools, furniture accessories, 3C peripheral accessories, automotive industry, paper diapers, etc., all related to sports, leisure, personal hygiene, etc. The Company’s products can be found in our daily lives and in related markets and industries.

(2) In the belt buckle industry, although the competitors are numerous, most of them are small and medium-sized enterprises and family-owned factories. Their capital amount and scale are inferior to the Company. Although their products have price advantages, the product style and quality are relatively incomparable to meet the needs of well-known brand customers. The Group has built up good relationships and interaction with major sports and leisure brands over the years. In addition to responding to brand trends, coupled with the corporate social responsibility, the Group pays attention to energy saving, carbon reduction, and non-toxic and harmless production. With continuous upgrade and improvement in the efforts of alternative energy and environmental protection, coupled with the globalized deployment, the Group has laid a foundation beyond the reach of the industry through the integration of the Group’s resources, division of labor, and global services.

(3) Due to the wide range of applications of the Company’s products, there is no relevant statistical data to objectively assess the market share, but judging from the purchase ratio of the Company’s main brand customers for sporting goods, the Company’s touch fastener, webbing (shoelaces), elastic and upper materials, and related products have a high market share in the high-end market. The Company is the major suppliers for the aforementioned items to brand customers.

3. Market supply and demand situation and future growth

(1) Due to the growing industry and commerce, the progress over time, the development of the Internet, and the consumption pattern tending to be lively and diverse, in all sports and leisure, human beings are increasingly demanding various activities, including basketball, tennis, football, baseball, mountain climbing, jogging, power walking, cycling, and rafting that all require them to wear professional outfits. Due to the different consumption patterns, product differentiation is becoming more obvious. Therefore, shoes and clothes with various functions have become a fashionable habit, so the market demand remains optimistic.

(2) Taiwan’s textile industry production strategy has gradually shifted to non-price competition. At present, the textile industry is actively engaging in heterogeneous integration; also, the future development goals of textile products are on the qualities of innovation, uniqueness, refinement, and design. The Company is constantly innovating and researching to have products improved and refined in

order to fully grasp market movement. In terms of product research and development, the Company has gradually focused on innovation and design-orientation, strengthened ODM independent research and development and design, and moved towards higher economic efficiency. In addition to improving the product's added value and in-depth differentiation, the Company completes efficient value conversion.

(3) The products are extended vertically and the market is expanding horizontally. The Company's marketing strategy is not limited to a minority industry. It is now expanding to the automotive industry, aerospace, 3C peripheral accessories, medical rehabilitation industry, and personal hygiene and paper diapers with an active market demand. The continuous improvement of innovation capability and automation, in addition to reducing losses and fully improving efficiency, helps stabilize market supply and demand, highlighting the Company' competitive advantage in the textile and sports market, and allowing market demand to continue to grow.

4. Competitive niche

The Group has been operating in the industry for nearly 40 years. Under the administration of the management, it has become a major manufacturer for functional accessories domestically and internationally. In addition, it has engaged in the production and sales of textile fabrics in the last two or three years that helps increase interaction and partnership with brand customers.

(1) Continuous innovation and research and development, master the market trends.

The Company attaches great importance to market trends, deeply understands customer needs, launches new patented products every year with a total of 291 patents received, and continues to develop and improve production processes. It has been recognized and loved by the market in different periods and related fields. The Company's competitiveness is relatively better and the strong R&D capability has become the main driving force for the growth of the Company.

(2)Continue to invest and establish a one-step workflow.

The Company adopts the world's most advanced looms and has the ability to develop machines by itself or with a manufacturer. It has a high degree of automation for 24-hour production. In terms of dyeing and finishing, the Company invests in rotary cylinder dyeing machines, continuous jet dyeing machines, etc. In addition to the investment in machinery equipment, in terms of process improvement, the Company has established a one-step process from weaving to dyeing and finishing that helps save labor costs, increases productivity and efficiency, and ensures high quality and stability of the products. It is the advantage of the Company to stay ahead in the industry and to generate more sales.

(3)Transforming from OEM to ODM, staying close to customers.

Due to good cooperation with upstream suppliers, the Company has stable raw material quality and enjoys the cost advantage of volume discounts. In addition, due to good cooperation and close cooperation with subcontractors, and through the strict requirements of the Quality Control Department, the product quality of the subcontractors can be greatly enhanced. When receiving a big order, by fully grasping the raw materials and processes, the Company is able to move from the labor-intensive OEM business to ODM that not only has self-production but also has various in-house products designs.

(4) Diversified products and a wide range of applications to meet the needs of customers.

The Company's products have a wide range of applications, such as, shoes, garments, stationery, toys, sports equipment, medical equipment, automobiles, bags, airplanes, bicycles, hairdressing, paper diapers, bra straps, decoration, 3C electronic accessories and DIY, etc., of which, shoe factories and garment factories are the main customers of ours. The Company has designated salespersons and R&D personnel to serve customers in the vicinity, to fully understand and meet the needs of customers, and to highlight the Company's comparative advantage by advertising in foreign trade or textile related magazines, attending domestic and international exhibitions, preparing product catalogs, and actively inviting customers to visit the Company in order to attract customers to buy from the Company.

(5)Global deployment and international division of labor to exercise the overall synergy of the Group.

Due to the high cost of land and labor in the country, the downstream footwear industry and garment industry have successively set up production bases in Mainland China and Southeast Asia. To maintain cooperation with the existing customers, the Company continuously has had R&D, production, and sales bases set up in Guangdong and Jiangsu of China, Ho Chi Minh City and Pingyang of Vietnam, Indonesia, and North America to serve local customers, fully satisfy customers' demand and delivery time, and significantly reduce production costs and master the business opportunities in Mainland China, Southeast Asia, and North America.

(6)Expand investment in textile fabrics and move from the production and sales of belt buckles to accessories fabrics.

The textile for upper is the mainstream trend. In addition to being lightweight with excellent permeability, it can cater to customized design. It completely reduces the printing work of shoe factories, electric embroidery, or all kinds of sewing, high-frequency processing, etc. with the weaving technology, and fully reduces the shoes factory process and improves efficiency. In the past two or three years, the Group has successively invested in high-end machine equipment for Jacquard Digital Woven Fabric and Jacquard Engineered Mesh Upper. The aforementioned two upper materials have a higher investment threshold and technical level; therefore, the competition threshold is higher.

(7)Good product quality and well recognized by well-known brands.

In order to meet the quality standards required by internationally renowned brand customers, the Company is committed to the improvement of the Company's overall quality control process, in addition to fully controlling the R&D and manufacturing of the products, and has obtained various certifications. Therefore, in terms of product quality or delivery time, the Group can meet the requirements of internationally renowned brands and establish long-term good cooperative relations with branding companies.

5. Advantages, disadvantages, and countermeasures for the development prospects

(1) Advantages:

①Complete industrial system and sufficient supply of raw materials.

Taiwan's chemical fiber industry is fully developed. Polyester yarn and nylon yarn manufacturers are expanding their production capacity gradually. The productivity is high and the quality is excellent; also, the supply of raw materials is sufficient. The upstream and downstream systems are complete and the technical level is excellent. These advantages are beyond the reach of developing countries in the short run.

②Wide range of applications for webbing and related products.

Webbing, labels, signs, etc. are mostly related products going through three-step processing, which are widely used in the composition of shoes, clothing, sports, sanitary equipment, packaging, bag sets, etc. With the additional demand of consumers for these products, product functions, in addition to increasing convenience and usability, must be combined with fashion and aesthetics for broader applications.

③ Price is no longer the one and only consideration of manufacturers when purchasing materials.

The concept of consumption is constantly changing. For original and novel products, consumers are willing to buy at a higher price. Under these circumstances, the price of the materials for shoes, garments, sports goods, medical equipment, and bag sets is no longer the only consideration to manufacturers. Instead, the product quality, the color fastness of dyeing, the durability, and other factors crucial to the product quality, as well as the on-time delivery and stable supply are all very important factors for manufacturers to consider when placing orders.

④Consumers pay more attention to leisure activities.

With the higher income received by people in developing countries and emerging countries; also, the increasing frequency and scale of international sports events, consumers are increasingly attracted to leisure activities and various types of sports on weekends and holidays; therefore, the demand for related sports and leisure products is growing gradually, which in turn drives the potential demand for webbings and related products.

⑤Product diversification and customer satisfaction.

The Company adopts advanced production equipment to establish a one-step and high-efficiency process in production operations. In addition to saving labor, it can ensure the quality and delivery of products. The Company has a variety of products and styles in webbing products. In addition to fully meeting the needs of customers for small quantity and wide variety, the Company continues to develop various innovative patterns and functions to guide and induce new demands from customers.

(2) Disadvantages and countermeasures

Disadvantages	Countermeasures
① Due to the salary increase in nations where the production bases are, employees are no longer enthusiastic about labor-oriented work and the employment of manufacturers is insufficient and the wages are rising, resulting in an increase in labor costs and production costs.	A. Accelerate the introduction of high-speed and automated equipment in order to pursue the rationalization and refinement of human resource utilization, work towards capital-intensive and technology-intensive production methods to increase productivity and the added value of products; also, reduce the operating pressure arising from the rising labor costs. B. Improve working conditions, strengthen various employee welfare measures, and establish a good corporate culture to condense the employees' loyalty and reduce the turnover rate. At the same time, strengthen on-job training and personnel training, and promote employees' skillful operation and technology perfection in order to help them exercise their potential and improve the quality of operations.
② In recent years, environmental awareness has risen, investment costs have gone up, and export expansion has been very difficult due to competition from developing countries.	A. Comprehensively improve pollution prevention equipment and strengthen wastewater recycling and reuse in response to increasingly stringent environmental standards. B. Continue to develop new products and develop diversified and high value-added products to enhance competitiveness.
③ There are many small and medium-sized factories in the market to compete so the competition is ferocious.	A. Strengthen internal production management operations, reduce various costs, improve product quality and stability, and differentiate from small and medium-sized factories with good quality and corporate image. B. Actively expand the comprehensive sales network to provide customers with better services. C. Enhance customers' understanding of product quality and characteristics through a plant tour and attending exhibitions, establish market recognition of the Company's products, and enhance the Company's competitiveness in international markets.

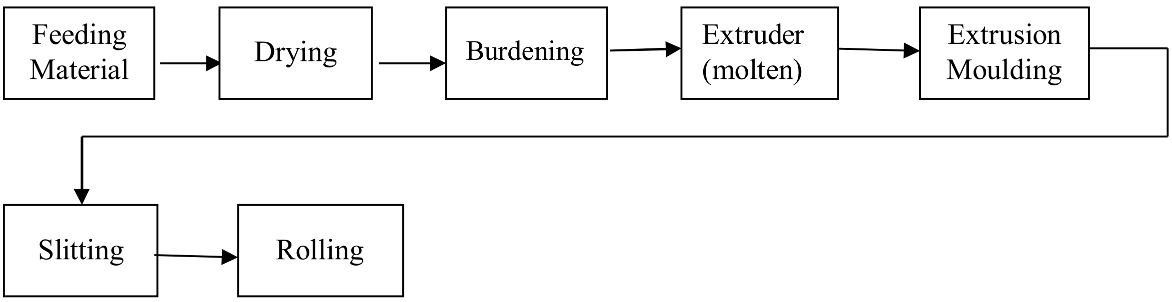
5.2.2 Major Applications and Manufacturing Process of Major Products

1. Major applications of major products

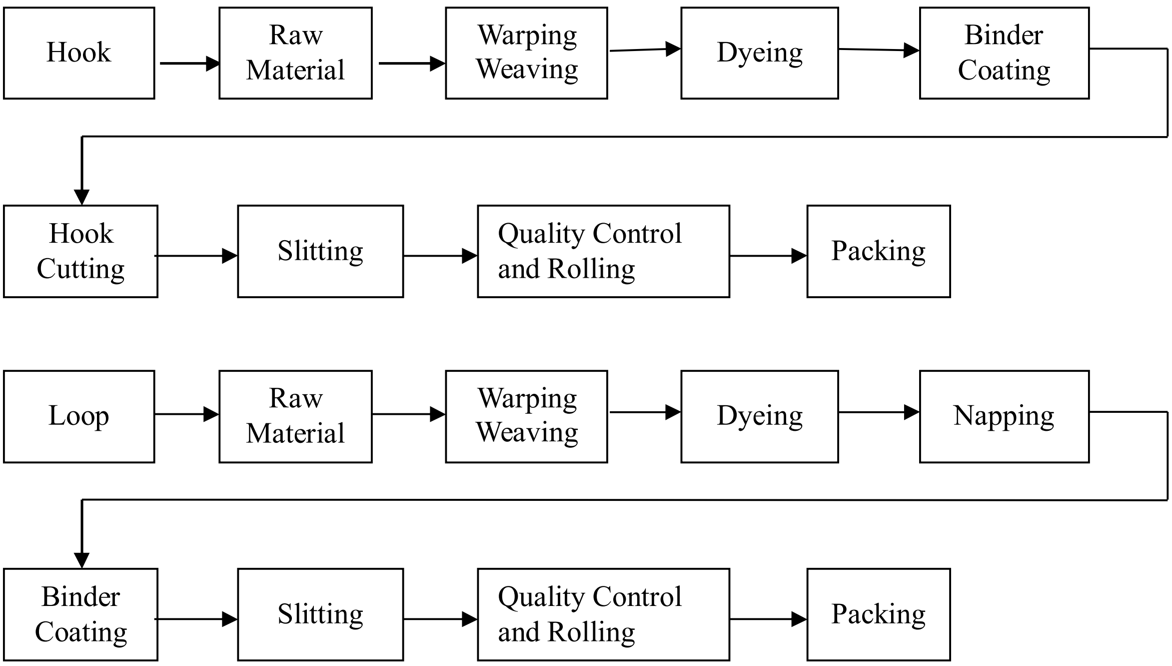
Products	Major Application
Touch Fastener	Accessories of shoes, garments, raincoats, caps, sports equipment, leather goods, and medical equipment.
Webbing (Shoelaces)	Shoe vamp hem, belt eyelet, back straps of leather goods and sports bags, and accessories of hats.
Elastic (include 4 -Way Stretchable Elastic)	Pants straps, jacket hems, cuffs, and accessories of those that require elastics. The 4-way stretchable elastic-knitted uppers is comfortable with excellent permeability, lightweight, and suitable for all kinds of sports shoes and casual shoe vamp fabrics.
Easy Tape	Paper diapers, medical equipment, computer pipelines, outdoor sporting goods, car seats and interiors, and other accessories that require repeated adhesion.
Jacquard Digital Woven Fabric and Jacquard Engineered Mesh and Other Fabrics.	It can be used for shoes, garments, and hat and bag fabrics. It is energy-saving, environment-friendly, and comfortable with excellent permeability.

2. Manufacturing process of major products

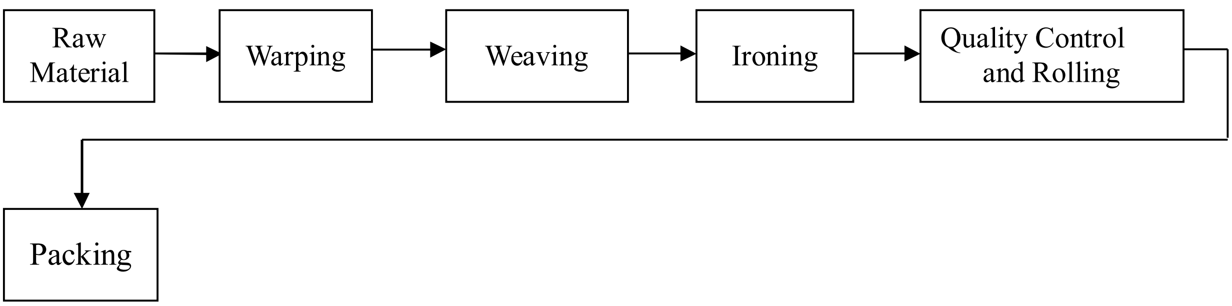
(1) Manufacturing flowchart of easy tape



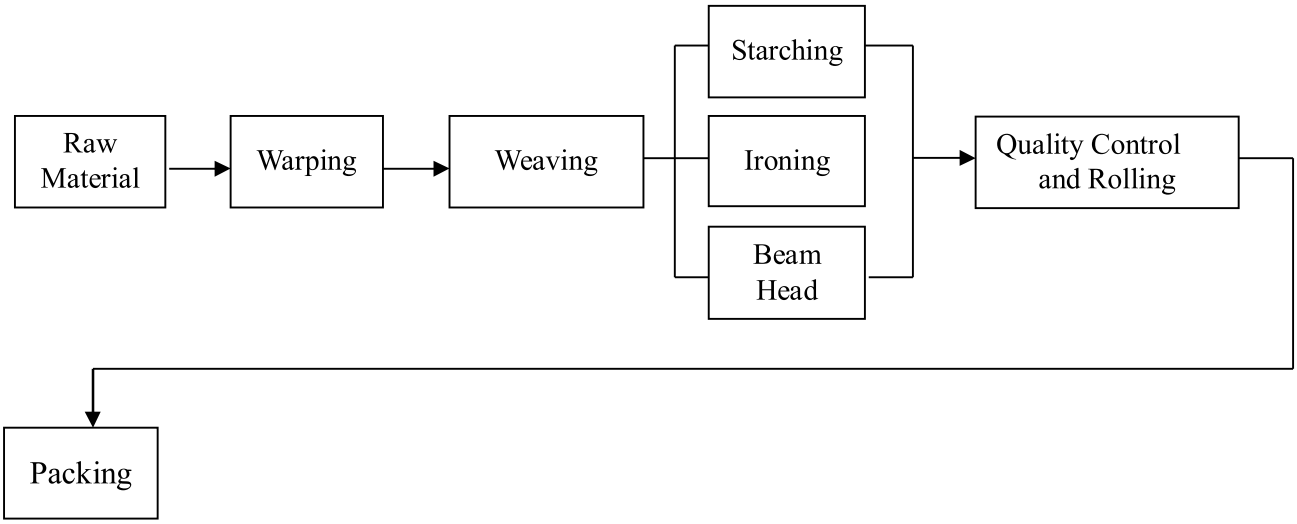
(2) Manufacturing flowchart of touch fastener



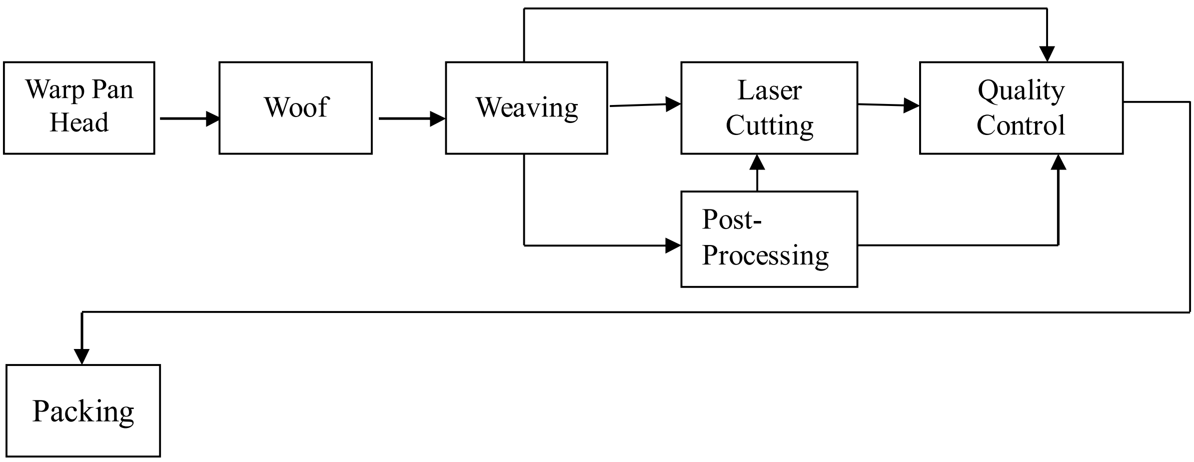
(3) Manufacturing flowchart of elastic



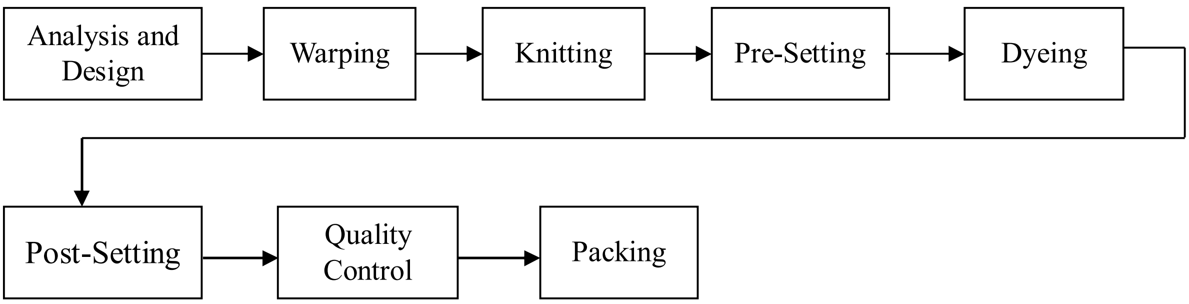
(4) Manufacturing flowchart of webbings (shoelace)



(5) Manufacturing flowchart of jacquard digital woven fabric



(6) Manufacturing flowchart of jacquard engineered mesh



5.2.3 Supply Situation of Major Raw Materials

The Company and its suppliers have maintained a relationship with stable growth and good close cooperation for a long time, and the demand for product development and supply source are quite abundant.

Major Raw Materials	Source of Supply	Supply Situation
Nylon Monofilament Yarn	Ri-Thai, Yao Hung, and Tolitex (Guangzhou).	Stable
Nylon Multifilament Yarn	Formosa Chemicals, Li Peng, and Zig Sheng.	Stable
Rubber Thread	Rubberflex Sdn.Bhd (Malaysia).	Stable
Polyester Yarn	Jvan An, Xiamen Xianglu, Rongsheng Petro, Su Zhou Chameleon, hen Liang Cherng, and Herng Fa.	Stable
Plastic Particle	Jfa, and renail.	Stable

5.2.4 List of Suppliers (Customers) that have Accounted for at least 10% of Procurement (Sales) in one of the Past Two Years

1. Suppliers that have accounted for at least 10% of procurement in one of the past two years, the amounts and percentages of the procurement: None.

2. Customers that have accounted for at least 10% of sales in one of the past two years, the amounts and percentages of the sale: None.

5.2.5 Consolidated Production Volume and Value in the Past TwoYears

Unit of Value: NT$ thousands

Product (Note 1) \ Year	Unit (Note 2)	2017			2018		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Webbing(Shoe laces)	Thousand Inch Yarns	622,614	514,678	$3,393,855	750,201	591,305	$3,649,133
Touch Fastener	Thousand Inch Yarns	778,605	533,479	1,488,975	826,604	474,711	1,480,853
Elastic	Thousand Inch Yarns	540,610	411,189	1,108,692	606,180	453,950	1,203,001
Easy Tape and Relative Production (Note 3)	Thousand Yarns	439,085	516,358	774,740	439,085	671,114	824,545
Premises	Number of Household	0	0	0	0	210	2,130,096
Parking Spaces	Space	0	0	0	0	428	346,452
Powder Coating	Metric Tons	4,720	4,645	288,769	4,603	4,433	311,635
Other	-	-	-	228,340	-	-	322,815
Total	-	-	-	$7,283,371	-	-	$10,268,530

Note 1: Product output refers to the quantity of production, including outsourced production.

Note 2: The webbing products have been uniformly converted into the standard width measurement (inches), and the other products cannot be added up due to the different units of measurement.

Note 3: The production capacity for each product is estimated according to the standard working hours estimated for the year.

Analysis of Changes in Ratio:

As a result of the continuing development of new products, the production value of webbing (shoelaces) and elastic has increased. In addition, the construction projects were gradually completed in 2018, so the production volume and value of the relevant premises and parking spaces has also increased.

5.2.6 Consolidated Sales Volume and Value inr the Past Two Years:

Unit of Value: NT$ thousands

Year / Product	Unit (Note 1)	2017				2018			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Webbing (Shoelaces)	Thousand Inch Yarns/Pc	65,721	$1,101,831	459,093	$4,768,356	56,277	$ 898,386	526,860	$5,317,969
Touch Fastener	Thousand Inch Yarns	26,639	179,333	405,659	1,947,816	21,328	138,077	438,978	2,014,223
Elastic	Thousand Inch Yarns	45,367	191,706	352,205	1,536,523	40,980	151,827	386,977	1,503,218
Easy Tape and Relative Production	Thousand Yarns	13,401	109,211	525,187	1,011,749	19,155	114,012	665,928	1,139,328
Premises	Number of Household	0	0	0	0	0	0	105	1,484,844
Parking spaces	Space	0	0	0	0	0	0	18	39,086
Powder coating	Metric Tons	0	0	4,569	382,768	0	0	4,425	380,743
Other	-	-	209,119	-	309,544	-	144,636	-	389,701
Total	-	-	$1,791,200	-	$9,956,756	-	1,446,938	-	12,269,112

Note 1: The webbing products have been uniformly converted into the standard width measurement (inches), and the other products cannot be added up due to the different units of measurement.

Analysis of Changes in Ratio:

Actively develop high value-added products and expand the application of the products, resulting in an increase in the sales volume and sales amount of products. In addition, some of the premises and parking spaces of the construction projects were completed in December 2018, resulting in an increase in the relevant sales volume and amount.

5.3 Employees

The Number of Employees Employed in the Past Two Years and Up to the Annual Report Publication Date, their Average Years of Service, Average Age, and Education Levels.

Year		2017	2018	As of April 30, 2019
Number of Employees	Direct Labor	5,305	5,907	6,437
	Indirect Labor	2,559	2,858	3,008
	Total	7,864	8,765	9,445
Average Age		30	31	31
Average Years of Service		4	5	5
Education Levels	Ph.D.	0.0%	0.0%	0.0%
	Master's	0.5%	0.6%	0.6%
	University & College	18.3%	17.9%	18.6%
	High School	45.3%	45.1%	45.9%
	Below High School	35.9%	36.4%	34.9%

5.4 Expenditure for Environmental Protection

5.4.1 Total Losses (Including Damage Awards) and Fines for Environmental Protection in the Recent Year and Up to the Annual Report Publication Date

Year / Item	2018	As of April 30, 2019
Amount of Compensation or Punishment Status	None	None
Other Losses	None	None

5.4.2 Explanation of the Measures (Including Corrective Measures) and Possible Disbursements in the Future (Including Estimate of Losses, Fines, and Compensation Resulting from Any Failure to Adopt Responsive Measures, or If It Is not Possible to Provide such an Estimate, an Explanation of the Reason Why It Is not Possible): None.

5.5 Labor Management Relationship:

5.5.1 Employee Welfare Measures, Advanced Study, Training, Retirement System, and Its Implementation, as well as Labor-Management Agreements, Working Environment, and Employee Personal Safety Protection Measures, and Various Employee Rights Maintenance Measures.

1. Measures:

The Company handles employee safety and health insurance, social insurance, and other matters in accordance with the labor law and regulations in each operating area to protect the basic rights and interests of employees. The year-end bonus is paid depending on the annual performance evaluation result of each employee. The Company appreciates the hard work and contribution of each employee. The Company also has an Employee Welfare Committee set up to handle employee health checkups, festivals, birthdays, weddings and funerals, births, injuries, illnesses, disasters, and other benefits and subsidies.

2. Staff advanced study and training

In order to help our employees understand the Company’s history and become familiar with the working environment and related rules and regulations, the Company provides pre-job training for new recruits. The head of each department also provides professional training for new recruits in the department, so that employees are capable of performing various job responsibilities. In order to continuously improve the performance and professional ability of employees, in addition to formulating annual education training plans and implementing internal training according to the Company’s operating plan, each department will send staff to participate in external training programs related to the business operation, so that experience and knowledge can be passed down and the latest information can be absorbed in time. The Company also plans various training courses suitable for the Company’s colleagues every year, and invites external consultants or internal lecturers to help enhance the competence and development of colleagues.

The statistics of the training and educational programs of the Company implemented in 2018 are as follows:

Item	Number of Courses	Training Hours	Total Number of Trainees
Orientation Training for New Employees	80	412	96
On-job Training for Current Employees	111	645	1,723
Total	191	1,057	1,819

3. Employee retirement system and implementation:

The Company applies the pension system of the “Labor Pensions Act,” which is a government-administered defined contribution retirement plan with an amount equivalent to a certain percentage of the employee’s salary appropriated and deposited in the personal account with the Bureau of Labor Insurance. For employees who choose to continue to apply the “Labor Standards Act,” the Company will deposit pension funds in the name of the “Employee Pension Reserves Committee” in the Pension Reserve account at the Bank of Taiwan.

Employees of the Company’s subsidiaries in Mainland China and Vietnam are members of the retirement benefit scheme operated by the local government. Each subsidiary appropriates a specific ratio of salary to the retirement benefit plan.

Employees of the Company’s subsidiaries in Indonesia adopt a defined benefit retirement plan with the pension reserve calculated actuarially in accordance with local labor laws.

4. Labor-management agreement and various employee rights maintenance measures:

The Company regularly holds labor-management meetings according to the law. It set up the “Employee Opinion Mailbox” and provides employee with grievance channels. A harmonious labor-management relationship is held since the incorporation of the Company; therefore, there have been no labor disputes to be coordinated and resolved so far.

Each subsidiary has signed labor contracts with employees in accordance with the local labor laws and regulations to protect employees’ legal rights and create a harmonious labor relationship. A harmonious labor-management relationship is held since the incorporation of the Company; therefore, there has been no labor dispute to be coordinated and resolved so far.

5. Working environment and employee safety protection measures:

(1)In accordance with the “Occupational Safety and Health Act” and related sub-laws, the Company has safety and health management personnel or business supervisors appointed to implement safety and health related matters.

(2)Ensure the safety and health of the Company’s facilities and equipment through routine maintenance and overhaul in order to protect the health and safety of the employees.

(3) Reduce the health risks of the working environment, implement the safety and hygiene requirements of various operating environments within the Company, and provide specific safety and health training to employees before they can operate special machinery equipment or perform special job missions. Workers must wear protective gear in special work places, such as, wearing masks to work on tasks involving dust or organic solvents, wearing earplugs when working in a noisy environment, to ensure that employees receive the most complete protection.

(4) In order to reduce the health risks of the working environment, all employees of the Company must comply with the following environmental safety and hygiene regulations:

① Properly use personal protective equipment (PPE) provided by the Company.

② Keep the evaluation route unblocked and clear the space in front of the electrical box, fire extinguisher, and fire hydrant with the door properly closed.

③ Keep fire-fighting facilities clean and inspected at all times. Fire extinguishers should not be placed directly on the ground.

④ The washroom should be kept clean and well ventilated; also, trash with a lid and hand-drying equipment must be in a place available for use.

⑤ The workplace needs to be kept clean and must be cleaned regularly.

⑥ Water-drinking equipment and refrigerators should be kept clean.

⑦ Garbage needs to be sorted; also, waste needed to be sorted, recycled, and stored properly.

⑧ It is necessary to prevent the machine from leaking oil and it must be cleaned regularly.

⑨ Organic solvents need to be positioned with a “food prohibited” sign set up; drinking water must be placed separately from the various solvents. The solvent to be dispensed must be marked with a product name and item number; also, it should be stored in a cool place without direct sunshine.

(5) The Company has formulated the “Emergency Preparation and Contingency Procedures” to improve the disaster relief capabilities and resilience of employees during disasters, to exercise the power of mobility, to reduce disasters and minimize property losses, and to alleviate environmental impact. Therefore, the Company regularly holds fire drills and disaster prevention training, and reports the results of in-house firefighting training to the fire station.

(6) The Company has established a safety and health work code. The safety and health training courses for new employees or transferred employees before their reporting to duty should be arranged for not less than 3 hours. However, employees who operate the production machinery or equipment should additionally receive equipment operation training for 3 hours. If the work unit uses organic solvents and/or chemicals, it is necessary to add organic solvent and chemical operation and emergency training for 3 hours. Routine environmental safety and health education and training will be implemented every six months to enhance employees’ awareness of environmental safety and health.

(7) The Company enacts the manufacturer’s incoming and dispatching requirements and access control security management. The guards issue temporary visitor passes or name cards to all visitors and suppliers. The respondents shall accompany the visitors the whole time until departure to ensure the safety of employees.

5.5.2 For the Most Recent Year and Up to the Printing Date of the Annual Report, the Loss Due to Labor-Management Disputes, Current, and Possible Future Loss Estimated Amount and Countermeasures:

The Company regards employees as the Company's most valuable assets, attaches importance to the development of employees, and promotes a smooth and fair promotion channel. Regarding the labor-management interaction, it is necessary to communicate and coordinate with employees in advance to reach a consensus. Employees can propose personal opinions through the labor-management meetings, letters, or direct communication to the supervisors to achieve two-way communication and to promote harmonious labor relations. At the same time, both employers and employees can communicate with each other frankly. The opinions of the laborers can be appreciated by the employers and quickly resolved. Therefore, there should be no losses resulting from labor disputes.

5.5.3 Employee Code of Conduct or Ethics

The Company has formulated the "Codes of Ethical Conduct" as a guideline for directors, managerial officers, and employees.

5.6 Important Contracts

Agreement Type	Counterparty	Term	Summary	Restrictive Clauses	Note
Syndicate Loan Contract (long-term bank loan)	Bank of Taiwan (also as Managing Bank), CTBC Bank, KGI Bank, Hua Nan Bank, Land Bank of Taiwan, Chang Hwa Bank Ltd., O-Bank, and Agricultural Bank of Taiwan	From December 2016 to June 2022	Secured Loan: NT$1.3 billion	Note 1	None
Long-term Bank Loans	Bank of Taiwan	From December 2018 to December 2020	Fiduciary Loan: NT$200 million	None	None
Long-term Bank Loans	Yuanta Commercial Bank	From December 2017 to December 2020	Fiduciary Loan: NT$300 million	None	None
Long-term Bank Loans	Mega Bank	From November 2013 to November 2020	Secured Loan: NT$100 million	None	None
Long-term Bank Loans	CTBC Bank	From November 2017 to September 2020	Fiduciary Loan: NT$100 million	Note 2	None
Long-term Bank Loans	KGI Bank	From August 2018 to August 2020	Fiduciary Loan: NT$200 million	None	None
Long-term Bank Loans	Taipei Fubon Commercial Bank Co., Ltd.	From April 2017 to April 2019	Fiduciary Loan: NT$200 million	Note 3	None
Long-term Bank Loans	Sumitomo Mitsui Banking Corporation (SMBC)	From November 2018 to October 2020	Fiduciary Loan: US$15 million	None	None

Agreement Type	Counterparty	Term	Summary	Restrictive Clauses	Note
Syndicate Loan Contract (long-term bank loan)	KGI Bank (also as Managing Bank), Bank of Taiwan, Hua Nan Bank, Chang Hwa Bank Ltd., Bank Sino Pac, E.SUN Commercial Bank, Cathay United Bank, Taipei Fubon Commercial Bank Co., Ltd., Taiwan Cooperative Bank, Taishin International Bank, Yuanta Commercial Bank, and Bank of Kaohsiung	Effective upon the signature of both parties affixed on October 8, 2018.	Fiduciary Loan: US$150 million	Note 4	None
Long-term Bank Loans	Yuanta Commercial Bank	From February 2017 to February 2020	Fiduciary Loan: US$6 million	None	None
Long-term Bank Loans	Yuanta Commercial Bank	From November 2017 to October 2020	Fiduciary Loan: US$9 million	None	None
Long-term Bank Loans	CTBC Bank	From October 2018 to September 2020	Fiduciary Loan: US$3 million	None	None
Long-term Bank Loans	Bank of East Asia	From April 2018 to April 2020	Fiduciary Loan: US$20 million	None	None
Long-term Bank Loans	O-Bank	From June 2017 to June 2020	Fiduciary Loan: US$5 million	None	None
Long-term Bank Loans	The Shanghai Commercial & Savings Bank, Ltd.	From July 2018 to July 2021	Fiduciary Loan: US$6 million	None	None
Long-term Bank Loans	Far Eastern Int’l Bank	From October 2018 to September 2020	Fiduciary Loan: US$5 million	None	None

Agreement Type	Counterparty	Term	Summary	Restrictive Clauses	Note
Technology Development Contract	Non-related Party	From July 2008 to June 2028	The Company has acquired expertise in molded hook production. According to the Agreement, the Corporation will have to pay premium of US$281 thousand each year and an additional premium payment according to a certain percentage of the sales amount at the end of each year.	None	None
Technology Development Contract	Guangdong Wuyi University	From April 2018 to March 2019	Assist in the development of Jacquard engineered mesh technology and technical support; also, the related technical achievements and patents are owned by the Company.	None	None
Technology Development Contract	Shanghai, China – College & University	From November 2018 to October 2019	Assist in the development of touch fastener, webbing, and elastic technology and technical support; also, the related technical achievements and patents are owned by the Company.	None	None
Construction New Factory-Office Building Contract	True-Dreams Construction CO., LTD.	Effective upon the signature of both parties affixed on March 20, 2019.	Construction of new factory-office building project	None	None

Agreement Type	Counterparty	Term	Summary	Restrictive Clauses	Note
Construction Plant Contract	Cong Ty Cp Dau Tu Xay Dung Ricons	Effective upon the signature of both parties affixed on June 21, 2017.	Construction of no. 3 lai Ming Chun industrial zone project	None	None
Construction Project Construction Contract	Jiangsu Nantong Six Construction Group Co. Ltd.	Effective upon the signature of both parties affixed on March 2, 2016.	Construction of the plot A-site development project (Phase I) XDG-2013-3.	None	None
Construction Project Construction Contract	Coteccons Construction Joint Stock Company	Effective upon the signature of both parties affixed on March 30, 2017.	Construction of Baopeng's C_6A_CN plot expansion in the industrial zone.	None	None
Construction Project Construction Contract	China Construction Dongfang Decoration Co., Ltd.	Effective upon the signature of both parties affixed on March 20, 2018.	Construction of the XDG-2013-3 plot A plot development project (Phase 1) interior decoration project (Buildings 1, 2, 5 and 6).	None	None
Construction Project Construction Contract	ZheJiang Baoye Construction Group Co., Ltd	Effective upon the signature of both parties affixed on July 30, 2018.	Construction of the plot A development project (Phase II) of XDG-2013-3.	None	None
Construction Project Construction Contract	Zhejiang Baoye Group Company Limited	Effective upon the signature of both parties affixed on July 30, 2018.	Construction of the plot B land development project of XDG-2013-3.	None	None
Construction Project Construction Contract	China Construction Dongfang Decoration Co., Ltd.	Effective upon the signature of both parties affixed on July 31, 2018.	Construction of the XDG-2013-3 plot A development project (Phase 1) interior renovation project (Buildings 3 and 7).	None	None

Note 1: The Company during the loan period shall comply with the requirements of maintaining the current ratio of the annual Consolidated Financial Statements at not less than 100%, the debt ratio (total liabilities/ net tangible worth) not higher than 150%, interest protection multiples not less than 4 times, and the net tangible worth (total equity minus intangible assets) (inclusive).

Note 2: The Company during the loan period shall comply with the requirements of maintaining the current ratio of the annual Consolidated Financial Statements at not less than 100%, the debt ratio (total liabilities/ net tangible worth) not higher than 150%, interest protection multiples not less than 4 times, and the shareholders' equity shall be maintained at NT$5 billion (inclusive).

Note 3: The Company during the loan period shall comply with the requirements of maintaining the current ratio of the annual Consolidated Financial Statements at not less than 100%, the debt ratio ((total liabilities + contingent liability) / net tangible worth) not higher than 120%, and interest protection multiples not less than 4 times.

Note 4: The Paiho Holdings Company during the loan period shall comply with the requirements of maintaining the current ratio [current assets ÷ current liabilities minus advance real estate receipts (classified as contract liabilities - current)] of the annual Consolidated Financial Statements at not less than 100%, the debt ratio [(total liabilities minus advance real estate receipts (classified as contract liabilities - current)) ÷ tangible net worth] not higher than 180%, interest coverage ratio not less than 3 times, and the net tangible worth [total equity minus intangible assets] not less than $35 billion (inclusive).

VI. Financial Information

6.1Financial Summary in the Past Five Years

6.1.1 Consolidated Condensed Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary in the Past Five Years (Note 1)					Financial Summary as of March 31,2019 (Note 1)
		2014	2015	2016	2017	2018	
Current Assets		$ 7,272,347	$ 8,741,041	$ 8,581,287	$ 9,789,763	$12,900,831	$12,350,841
Property, Plant and Equipment		4,399,050	5,038,669	6,207,230	7,958,247	9,830,771	10,786,004
Intangible Assets		309,217	310,042	270,649	242,806	237,748	239,296
Other Assets		2,378,452	1,781,645	1,688,926	3,460,505	3,664,363	3,715,488
Total Assets		14,359,066	15,871,397	16,748,092	21,451,321	26,633,713	27,091,629
Current Liabilities	Before Distribution	3,278,717	3,754,665	4,886,388	6,383,190	9,778,701	9,240,836
	After Distribution (Note 2)	3,874,645	4,350,593	5,780,280	7,277,082	9,778,701	9,240,836
Non-Current Liabilities		2,288,770	2,736,678	1,934,216	4,453,729	5,754,736	6,093,770
Total Liabilities	Before Distribution	5,567,487	6,491,343	6,820,604	11,730,811	15,533,437	15,334,606
	After Distribution (Note 2)	6,163,415	7,087,271	7,714,496	8,308,508	15,533,437	15,334,606
Equity Attributable to Owners of the Corporation		5,845,602	6,745,708	7,281,058	8,308,508	8,776,955	9,288,215
Capital stock		2,979,639	2,979,639	2,979,639	2,979,639	2,979,639	2,979,639
Capital Surplus		728,388	728,388	727,745	727,745	727,880	727,890
Retained Earnings	Before Distribution	2,705,068	3,227,576	4,112,000	4,833,155	5,300,166	5,706,776
	After Distribution (Note 2)	2,109,140	2,631,648	3,218,108	3,939,263	5,300,166	5,706,776
Others		332,613	345,455	7,061	(232,031)	(230,730)	(126,090)
Treasury Shares		0	0	0	0	0	0
Non-Controlling Interests		2,045,871	2,098,996	2,101,043	2,305,894	2,323,321	2,468,808
Total Equity	Before Distribution	8,791,579	9,380,054	9,927,488	10,614,402	11,100,276	11,757,023
	After Distribution (Note 2)	8,195,651	8,784,126	9,033,596	9,720,510	11,100,276	11,757,023

Note 1: The aforementioned financial information, except for the period of 2019Q1, which was reviewed by CPAs, was audited by CPAs.

Note 2: The Company’s 2018 earnings distribution has not yet been resolved in the general shareholders’ meeting.

6.1.2 Condensed Balance Sheet - Parent Company

Unit: NT$ thousands

Item \ Year		2014	2015	2016	2017	2018	Financial Summary as of March 31,2019 (Note 1)
		Financial Summary in the Past Five Years (Note 1)					
Current Assets		$1,100,719	$ 986,727	$1,346,081	$1,217,167	$1,322,688	N/A
Property, Plant and Equipment		1,111,154	1,532,966	2,357,425	2,489,848	2,326,265	
Intangible Assets		185	0	0	0	0	
Other Assets		7,393,485	7,997,969	7,269,908	7,612,446	8,433,221	
Total Assets		9,605,543	10,517,662	10,973,414	11,319,461	12,082,174	
Current Liabilities	Before Distribution	1,043,585	1,064,640	1,688,075	796,532	1,081,498	
	After Distribution (Note 2)	1,639,513	1,660,568	2,581,967	1,690,424	1,081,498	
Non-current liabilities		1,816,250	2,171,964	1,458,894	2,214,421	2,223,721	
Total Liabilities	Before Distribution	2,859,835	3,236,604	3,146,969	3,010,953	3,305,219	
	After Distribution (Note 2)	3,455,763	3,832,532	4,040,861	3,904,845	3,305,219	
Capital stock		2,979,639	2,979,639	2,979,639	2,979,639	2,979,639	
Capital Surplus		728,388	728,388	727,745	727,745	727,880	
Retained Earnings	Before Distribution	2,705,068	3,227,576	4,112,000	4,833,155	5,300,166	
	After Distribution (Note 2)	2,109,140	2,631,648	3,218,108	3,939,263	5,300,166	
Others		332,613	345,455	7,061	(232,031)	(230,730)	
Treasury Shares		0	0	0	0	0	
Total equity	Before distribution	6,745,708	7,281,058	8,308,508	8,308,508	8,776,955	
	After distribution (Note 2)	6,149,780	6,685,130	6,932,553	8,308,508	8,776,955	

Note 1: The aforementioned financial information for 2014 to 2018 was audited by CPAs.
Note 2: The Company's 2018 earnings distribution has not yet been resolved in the general shareholders' meeting.

6.1.3 Consolidated Condensed Statement of Comprehensive Income

Unit: NT$ thousands, except EPS NT$

Item \ Year	Financial Summary in the Past Five Years (Note 1)					Financial Summary as of March 31,2019 (Note 1)
	2014	2015	2016	2017	2018	
Net Sales	$ 9,115,700	$ 9,443,084	$10,629,533	$11,747,956	$13,716,050	$ 4,343,929
Gross Profit	3,054,247	3,505,449	4,178,798	4,704,951	4,983,842	1,474,593
Income from Operations	1,533,237	1,918,092	2,318,635	2,674,345	2,370,607	791,570
Non-Operating Income and	33,187	41,949	36,854	(82,767)	(158,087)	(45,368)
Profit before Income Tax	1,566,424	1,960,041	2,355,489	2,591,578	2,212,520	746,202
Income from Operations of Continued Segments - after Tax	1,149,799	1,385,574	1,722,845	1,832,678	1,514,342	471,143
Income from Discontinued Departments	0	0	0	0	0	0
Net Profit	1,149,799	1,385,574	1,722,845	1,832,678	1,514,342	471,143
Other Comprehensive Income (Loss)	295,461	(73,780)	(547,625)	(228,093)	(96,162)	185,594
Total Comprehensive Income (Loss)	1,445,260	1,311,794	1,175,220	1,604,585	1,418,180	656,737
Net Profit Attribute to Owners of the Corporation	979,717	1,140,107	1,490,366	1,619,782	1,360,306	406,610
Net Profit Attribute to Non-Controlling Interests	170,082	245,467	232,479	212,896	154,036	64,533
Total Comprehensive Income(Loss) Attribute to Owners of the Corporation	1,235,138	1,131,278	1,143,904	1,375,955	1,362,204	511,250
Total Comprehensive Income Attribute to Noncontrolling Interests	210,122	180,516	31,316	228,630	55,976	145,487
Earnings Per Share	3.29	3.83	5.00	5.44	4.57	1.36

Note1: The aforementioned financial information, except for the period of 2019Q1, which was reviewed by CPAs, was audited by CPAs.

6.1.4 Condensed Statement of Comprehensive Income - Parent Company

Unit: NT$ thousands, except EPS NT$

Item \ Year	Financial Summary in the Past Five Years (Note 1)					Financial Summary as of March 31,2019 (Note 1)
	2014	2015	2016	2017	2018	
Net Sales	$2,887,073	$3,186,424	$3,954,221	$4,329,433	$3,822,629	N/A
Gross Profit	854,186	996,901	1,439,461	1,538,653	1,179,459	
Income from Operations	486,155	574,300	966,257	1,006,463	663,741	
Non-Operating Income and	668,959	801,565	885,954	1,005,635	1,010,520	
Profit before Income Tax	1,155,114	1,375,865	1,852,211	2,012,098	1,674,261	
Income from Operations of Continued	979,717	1,140,107	1,490,366	1,619,782	1,360,306	
Income from Discontinued Departments	0	0	0	0	0	
Net Profit	979,717	1,140,107	1,490,366	1,619,782	1,360,306	
Other Comprehensive Income(Loss)	255,421	(8,829)	(346,462)	(243,827)	1,898	
Total Comprehensive	1,235,138	1,131,278	1,143,904	1,375,955	1,362,204	
Earnings Per Share	3.29	3.83	5.00	5.44	4.57	

Note1: The aforementioned financial information for 2014 to 2018 was audited by CPAs.

6.1.5 Auditors' Opinions in the Past Five Years

Year	Accounting Firm	CPA Name	Audit Opinion
2014	Deloitte & Touche	Te-Jun Cheng Hsiao-Fang Yen	Modified Unqualified Opinion
2015	Deloitte & Touche	Te-Jun Cheng Hsiao-Fang Yen	Modified Unqualified Opinion
2016	Deloitte & Touche	Shu-Chin Chiang (Note 1) Hsiao-Fang Yen	Unmodified Opinion
2017	Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	Unmodified Opinion
2018	Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	Unmodified Opinion
2019Q1	Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	Modified Conclusion Reviewed Report (Note 2)

Note 1: The replacement of the CPA in 2016 was arranged due to the internal work scheduling and arrangement of Deloitte & Touche.

Note 2: The financial statements of non-significant subsidiaries included in the 2019Q1 Consolidated Financial Statements were not reviewed by CPAs.

6.2 Financial Analysis in the Past Five Years

6.2.1 Consolidated Financial Analysis

Item (Note 2) \ Year		Financial Summary in the Past Five Years (Note 1)					Financial Summary as of March 31,2019 (Note 1)
		2014	2015	2016	2017	2018	
Capital Structure	Debt Ratio（%）	38.8	40.9	40.7	50.5	58.3	56.6
	Long-Term Funds to Property, Plant and Equipment Ratio（%）	251.9	240.5	191.1	189.3	171.5	165.5
Liquidity	Current Ratio（%）	221.8	232.8	175.6	153.4	131.9	133.7
	Quick Ratio（%）	168.0	151.8	111.5	87.2	77.3	80.2
	Interest protection multiples (Times)	33.8	36.9	40.9	27.2	13.0	12.2
Operating Performance	Average Collection Turnover (Times)	5.2	5.2	5.4	5.3	5.8	6.9
	Days Sales Outstanding	70	70	68	69	63	53
	Average Inventory Turnover (Times)	3.0	2.2	1.9	1.8	1.7	2.1
	Average Manufactures' Inventory Turnover (Times)	3.0	2.9	3.2	3.3	3.2	3.1
	Average Payment Turnover (Times)	13.5	14.6	17.2	16.1	11.3	11.3
	Average inventory turnover Day (Including Construction)	120	166	191	206	214	175
	Average inventory turnover Day (Excluding Construction)	120	125	116	112	116	117
	Property, Plant and Equipment Turnover (Times)	2.0	2.0	1.9	1.7	1.5	1.7
	Total Assets Turnover (Times)	0.6	0.6	0.6	0.6	0.5	0.6
Profitability	Return on Total Assets（%）	8.9	9.5	10.9	10.0	6.9	7.8
	Return on Equity attributable to Owners of the Corporation (%)	14.4	15.3	17.9	17.8	13.9	16.5
	Profit before Income Tax to Paid-in Capital（%）	52.6	65.8	79.1	87.0	74.3	100.2
	Net Margin（%）	12.6	14.7	16.2	15.6	11.0	10.9
	Earnings Per Share (NT$)	3.29	3.83	5.00	5.44	4.57	1.36
Cash Flow	Cash Flow Ratio（%）	61.1	55.2	44.5	18.1	27.4	(8.5)
	Cash Flow Adequacy Ratio（%）	95.0	99.8	95.2	59.0	57.4	37.1
	Cash Flow Reinvestment Ratio（%）	10.6	9.2	10.3	1.4	8.3	(0.9)
Leverage	Operating Leverage	2.5	2.3	2.3	2.3	2.7	2.4
	Financial Leverage	1.0	1.0	1.0	1.0	1.1	1.1

Analysis of changes in financial ratios which show a difference of more than 20% in the past two years:

1. The “Interest protection multiples” for the year of 2018 decreased from the year of 2017. This was mainly due to the development of new products and the expansion of overseas operations, resulting in an increase of related personnel expenses and development costs, resulting in a lower net income before tax compared to the year of 2017; also, the increase in capital expenditures for plants and equipment, increase in bank loans, resulting in an increase in interest expenses for the year of 2018.
2. The “accounts payable turnover (times)” for the year of 2018 decreased from the year of 2017. This was mainly due to constant input in the construction project the payment has increase, resulting in an increase in accounts payable compared to the year of 2017.
3. The “ratio of return on assets,” “ratio of return on shareholders’ equity,” and “profit ratio” for the year of 2018 decreased from the year of 2017. This was mainly due to the increase in operating expenses and interest expenses arising from the development of new products and expansion of overseas operation bases in 2018.
4. The “cash flow ratio” and “cash re-investment ratio” for the year of 2018 increased from the year of 2017. This was mainly due to the cash inflow from the net profit and the sale of construction project in 2018, resulting in an increase in cash inflow from operating activities compared to the year of 2017.

Note 1: The aforementioned financial information, except for the period of 2019Q1, which was reviewed by CPAs, was audited by CPAs.

Note 2: The calculation formula of financial analysis：

1. Capital Structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-Term Funds to Property, Plant and Equipment Ratio = (Shareholder's Equity + Non-Current Liabilities) / Net Property, Plant and Equipment
2. Liquidity
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets-Inventory-Prepaid Expense) / Current Liabilities
   (3) Interest protection multiples = Earnings before Interest and Taxes / Interest Expense
3. Operating Performance
   (1) Average Collection Turnover (Including Accounts Receivable and Notes Receivable Resulted from Business Operation) = Net Sales / Average Balance of Account Receivable (Including Accounts Receivable and Notes Receivable Resulted from Business Operation)
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Goods Sold / Average Inventory
   (4) Average Payment Turnover (Including Accounts Payable and Notes Payable Resulted from Business Operation)

= Cost of Goods Sold / Average Trade Payables (Including Accounts Payable and Notes Payable Resulted from Business Operation)

(5) Average Inventory Turnover Period = 365 / Average Inventory Turnover.

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

(1) Return on Total Assets = [Net Profit + Interest Expenses * (1 - Effective Tax Rate))] / Average Total Assets

(2) Return on Equity Attributable to Owners of the Corporation = Net Profit Attributable to Owners of the Corporation / Average Equity Attributable to Owners of the Corporation

(3) Net Margin = Net Profit / Net Sales

(4) Earnings per Share = (Net Profit - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations /Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.2.2 Financial Analysis – Parent Company

Item (Note 2) \ Year		Financial Summary in the Past Five Years (Note) 2014	2015	2016	2017	2018	Financial Summary as of March 31,2019
Capital Structure	Debt Ratio（%）	29.8	30.8	28.7	26.6	27.4	N/A
	Long-Term Funds to Property, Plant and Equipment Ratio（%）	770.6	616.7	393.9	422.6	472.9	
Liquidity	Current Ratio（%）	105.5	92.7	79.7	152.8	122.3	
	Quick Ratio（%）	64.0	56.8	57.2	103.2	83.2	
	Interest protection multiples (Times)	51.9	61.3	108.6	134.2	81.2	
Operating Performance	Average Collection Turnover (Times)	7.6	7.3	6.9	6.5	5.9	
	Days Sales Outstanding	48	50	53	56	62	
	Average Inventory Turnover (Times)	4.5	4.3	5.1	5.4	5.0	
	Average Manufactures' Inventory Turnover (Times)	4.4	4.9	5.4	5.5	5.0	
	Average Payment Turnover (Times)	12.6	12.1	11.9	12.2	11.9	
	Average inventory turnover Day (Including Construction)	81	84	72	67	73	
	Average inventory turnover Day(Excluding Construction)	82	74	68	67	73	
	Property, Plant and Equipment Turnover (Times)	2.6	2.1	1.7	1.8	1.6	
	Total Assets Turnover (Times)	0.3	0.3	0.4	0.4	0.3	
Profitability	Return on Total Assets（%）	10.8	11.5	14.0	14.6	11.8	
	Return on Equity（%）	15.6	16.3	19.7	20.1	15.9	
	Profit before Income Tax to Paid-in Capital（%）	38.8	46.2	62.2	67.5	56.2	
	Net Margin（%）	33.9	35.8	37.7	37.4	35.6	
	Earnings Per Share (NT$)	3.29	3.83	5.00	5.44	4.57	
Cash Flow	Cash Flow Ratio（%）	128.9	96.1	75.6	184.2	64.8	
	Cash Flow Adequacy Ratio（%）	92.8	78.0	99.4	103.5	98.3	
	Cash Flow Reinvestment Ratio（%）	9.4	4.1	7.0	5.1	(1.6)	
Leverage	Operating Leverage	2.2	2.2	1.9	2.0	2.5	
	Financial Leverage	1.1	1.0	1.0	1.0	1.0	

Analysis of changes in financial ratios which show a difference of more than 20% in the past two years:

1. The "current ratio" for the year of 2018 decreased from the year of 2017. This was mainly due to the increase in current portion of long-term borrowings, and short-term bank borrowings in response to the demand for operating funds, resulting in an increase in short-term bank loans.
2. The "Interest protection multiples" and "ratio of return on shareholders' equity" for the year of 2018 decreased from the year of 2017. This was mainly due to the increase in interest expenses and the decrease in profit in 2018.
3. The "cash flow ratio" and "cash re-investment ratio" for the year of 2018 decreased from the year of 2017. This was mainly due to the decrease of net profit and the dividend distribution of overseas subsidiaries, resulting in the net cash flow from operating activities decreasing compared to the year of 2017.
4. The "operation leverage" for the year of 2018 increased from the year of 2017. This was mainly due to the decrease in sales and net profit in 2018, and continuing investment in new product development. The related personnel and research and development costs increased, resulting in the operating profit decreasing compared to the year of 2017.

Note: The aforementioned financial information for 2014 to 2018 was audited by CPAs.

6.3 Audit Committee's Review Report in the Recent Year's Financial Statements.

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements and proposals of earnings distribution. The independent auditors Shu-Chin Chiang and Hsiao-Fang Yen of Deloitte & Touche have audited the Financial Statements and issued audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposals of earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Paiho Limited. Therefore, we hereby submit this report in accordance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review accordingly.

Sincerely,

2019 Annual General Shareholders' Meeting

Taiwan Paiho Limited

Jui-Lin Lo

Chairman of Audit Committee

March 14, 2019

6.4 Consolidated Financial Statements and Independent Auditors' Report in the Recent Year

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Piano Limited

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Piano Limited and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. 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.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

Estimated impairment of trade receivables

As of December 31, 2018, the Group's total trade receivables, in New Taiwan dollars ("NT$"), were NT$2,173,824 thousand (after deducting allowance for doubtful trade receivables NT$116,430 thousand). Refer to Notes 4, 5 and 10 to the accompanying consolidated financial statements for the related disclosures.

Allowance for doubtful trade receivables is provided based on the assessed recoverability of the receivables. Since the provision for doubtful accounts and the recoverability of receivables are subject to the management's judgment and estimations in which uncertainty is involved, the impairment assessment of trade receivables is identified as a key audit matter.

Our main audit procedures performed in respect of the abovementioned impairment assessment included the following:

1. We understood the Group's policy on the impairment assessment of receivables; and then we sampled and verified the accuracy of the aging of amounts due at the balance sheet date.

2. We reviewed the historical payments and the recoverability of receivables to check that the provision has been arrived at rationally.

3. We tested related internal controls over receivables to check that the controls have been executed effectively.

Valuation of manufacturing inventory

As of December 31, 2018, the Group's manufacturing inventory was NT$2,143,571 thousand. Refer to Notes 4, 5 and 11 to the consolidated financial statements for the related disclosures. Manufacturing inventory is stated at the lower of cost or net realizable value. Estimation of net realizable value is subject to judgment. As a result, valuation of manufacturing inventory is identified as a key audit matter.

Our key audit procedures performed in respect of the valuation of manufacturing inventory included the following:

1. We assessed the related internal controls in the valuation of inventory to check that the controls have been designed and operated effectively; we tested sample items in the inventory aging report to verify the accuracy of the data.

2. We assessed the reasonableness of the assumptions in the calculation of the net realizable value.

3. We evaluated the condition of inventory for obsolete and damaged stock during our observation of inventory counts.

Other Matter

We did not audit the financial statements of Pt. Piano Indonesia, a subsidiary included in the consolidated financial statements of the Group for the year ended December 31, 2017, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for Pt. Piano Indonesia, is based solely on the report of other auditors. The total assets of Pt. Piano Indonesia constituted 7% (NT$1,520,237 thousand) of consolidated total assets as of December 31, 2017, and revenues constituted 3% (NT$376,132 thousand) of consolidated revenues for the years then ended.

We have also audited the parent company only financial statements of Taiwan Piano Limited as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Hsiao-Fang Yen.

Deloitte & Touché
Taipei, Taiwan
Republic of China

March 14, 2019

<u>*Notice to Readers*</u>

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.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 9)	$ 4,017,472	15	$ 2,744,558	13
Financial assets at amortized cost - current (Notes 4, 8 and 33)	273,566	1	-	-
Debt investments with no active market - current (Notes 4, 6, 9 and 33)	-	-	3,538	-
Notes receivable (Note 4)	138,914	1	147,681	1
Trade receivables (Notes 4, 5, 10 and 32)	2,173,824	8	2,064,023	10
Other receivables (Note 4)	396,906	1	104,692	-
Inventories - manufacturing (Notes 4, 5 and 11)	2,143,571	8	1,936,858	9
Inventories - constructing (Notes 4, 5 and 11)	3,154,962	12	2,232,394	10
Prepayments for leases (Notes 4, 17 and 33)	18,799	-	16,135	-
Other current assets (Note 18)	582,817	2	539,884	3
Total current assets	12,900,831	48	9,789,763	46
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 12)	31,644	-	-	-
Financial assets at amortized cost - non-current (Notes 4, 8 and 33)	9,565	-	-	-
Investments accounted for using the equity method (Notes 4 and 12)	-	-	34,213	-
Property, plant and equipment (Notes 4, 14 and 32)	9,830,771	37	7,958,247	37
Investment properties (Notes 4 and 15)	165,916	1	175,178	1
Goodwill (Notes 4 and 16)	237,610	1	242,646	1
Other intangible assets (Note 4)	138	-	160	-
Deferred tax assets (Notes 4 and 27)	134,426	1	107,294	1
Prepayments for machinery and equipment	2,173,425	8	1,970,297	9
Long-term prepayments for lease (Notes 4, 17 and 33)	1,109,491	4	1,138,007	5
Other non-current assets (Note 18)	39,896	-	35,516	-
Total non-current assets	13,732,882	52	11,661,558	54
TOTAL	$ 26,633,713	100	$ 21,451,321	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 5,140,377	19	$ 3,638,622	17
Contract liabilities - current (Notes 4, 25 and 32)	976,837	4	-	-
Notes payable	91,559	-	81,203	1
Trade payables (Note 32)	968,246	4	399,844	2
Other payables (Notes 21 and 26)	1,496,468	6	1,580,113	7
Current tax liabilities (Notes 4 and 27)	629,031	2	587,241	3
Current portion of long-term borrowings (Notes 19 and 33)	388,402	2	19,680	-
Financial lease payables - current (Notes 4 and 20)	734	-	509	-
Other current liabilities (Note 4)	87,047	-	75,978	-
Total current liabilities	9,778,701	37	6,383,190	30
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 33)	4,460,667	17	3,237,328	15
Deferred tax liabilities (Notes 4 and 27)	954,034	3	861,668	4
Financial lease payables - non-current (Notes 4 and 20)	-	-	749	-
Deferred revenue - non-current (Notes 4 and 17)	95,225	-	99,942	1
Net defined benefit liabilities - non-current (Notes 4 and 22)	241,542	1	250,717	1
Guarantee deposits	3,268	-	3,325	-
Total non-current liabilities	5,754,736	21	4,453,729	21
Total liabilities	15,533,437	58	10,836,919	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	2,979,639	11	2,979,639	14
Capital surplus	727,880	3	727,745	3
Retained earnings				
Legal reserve	1,199,378	4	1,037,400	5
Special reserve	232,031	1	209,623	1
Unappropriated earnings	3,868,757	15	3,586,132	16
Other equity	(230,730)	(1)	(232,031)	(1)
Total equity attributable to owners of the Corporation	8,776,955	33	8,308,508	38
NON-CONTROLLING INTERESTS	2,323,321	9	2,305,894	11
Total equity	11,100,276	42	10,614,402	49
TOTAL	$ 26,633,713	100	$ 21,451,321	100

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

(With Deloitte & Touché auditors' report dated March 14, 2019)

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 25 and 32)	$ 13,716,050	100	$ 11,747,956	100
COST OF GOODS SOLD (Notes 4, 11, 25, 26 and 32)	8,732,208	64	7,043,005	60
GROSS PROFIT	4,983,842	36	4,704,951	40
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing expenses	1,330,195	10	1,082,486	9
General and administrative expenses	788,009	6	624,439	5
Research and development expenses	476,405	3	323,681	3
Expected credit loss (Note 10)	18,626	-	-	-
Total operating expenses	2,613,235	19	2,030,606	17
PROFIT FROM OPERATIONS	2,370,607	17	2,674,345	23
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Notes 4 and 17)	24,159	-	25,578	-
Share of profit or loss of associates accounted for using the equity method (Note 4)	(3,441)	-	3,900	-
Interest income (Note 4)	59,008	-	42,185	-
Rental revenue (Note 4)	16,612	-	15,866	-
Other income (Note 4)	39,162	-	24,720	-
Interest expense (Notes 4 and 26)	(184,753)	(1)	(98,741)	(1)
Other expenses (Notes 4, 15 and 26)	(58,791)	-	(26,708)	-
Net foreign exchange loss (Notes 4 and 26)	(50,043)	-	(69,567)	-
Total non-operating income and expenses	(158,087)	(1)	(82,767)	(1)
PROFIT BEFORE INCOME TAX	2,212,520	16	2,591,578	22
INCOME TAX EXPENSE (Notes 4 and 27)	698,178	5	758,900	6
NET PROFIT FOR THE YEAR	1,514,342	11	1,832,678	16
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Premeasurement of defined benefit plans (Note22)	(1,662)	-	(5,197)	-

(Continued)

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

	2018 Amount	2018 %	2017 Amount	2017 %
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$ 790	-	$ -	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	1,459	-	1,112	-
	587	-	(4,085)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(97,855)	(1)	(272,978)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 27)	1,106	-	48,970	-
	(96,749)	(1)	(224,008)	(2)
Other comprehensive loss for the year, net of income tax	(96,162)	(1)	(228,093)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,418,180	10	$ 1,604,585	14
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,360,306	10	$ 1,619,782	14
Non-controlling interests	154,036	1	212,896	2
	$ 1,514,342	11	$ 1,832,678	16
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,362,204	10	$ 1,375,955	12
Non-controlling interests	55,976	-	228,630	2
	$ 1,418,180	10	$ 1,604,585	14
EARNINGS PER SHARE (Note 28)				
Basic	$ 4.57		$ 5.44	
Diluted	$ 4.56		$ 5.43	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touché auditors' report dated March 14, 2019) (Concluded)

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Note 4)											
		Capital Surplus (Note 24)			Retained Earnings (Note 24)			Other Equity (Note 24)				
	Common Stock (Note 24)	Additional Paid-in Capital	Difference Between Consideration Received or paid and the Carrying Amount of the Subsidiaries' net Assets During Actual Disposal or Acquisition	Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Investments at Fair Value through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 2,979,639	$ 615,831	$ 111,914	$ -	$ 888,363	$ 209,623	$ 3,014,014	$ 7,061	$ -	$ 7,826,445	$ 2,101,043	$ 9,927,488
Appropriation of 2016 earnings												
Legal reserve	-	-	-	-	149,037	-	(149,037)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(893,892)	-	-	(893,892)	-	(893,892)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	(23,779)	(23,779)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,619,782	-	-	1,619,782	212,896	1,832,678
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(4,735)	(239,092)	-	(243,827)	15,734	(228,093)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,615,047	(239,092)	-	1,375,955	228,630	1,604,585
BALANCE AT DECEMBER 31, 2017	2,979,639	615,831	111,914	-	1,037,400	209,623	3,586,132	(232,031)	-	8,308,508	2,305,894	10,614,402
Donation from shareholders	-	-	-	135	-	-	-	-	-	135	-	135
Appropriation of 2017 earnings												
Legal reserve	-	-	-	-	161,978	-	(161,978)	-	-	-	-	-
Special reserve	-	-	-	-	-	22,408	(22,408)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	-	(893,892)	-	-	(893,892)	-	(893,892)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	(38,549)	(38,549)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,360,306	-	-	1,360,306	154,036	1,514,342
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	597	511	790	1,898	(98,060)	(96,162)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	1,360,903	511	790	1,362,204	55,976	1,418,180
BALANCE AT DECEMBER 31, 2018	$ 2,979,639	$ 615,831	$ 111,914	$ 135	$ 1,199,378	$ 232,031	$ 3,868,757	$ (231,520)	$ 790	$ 8,776,955	$ 2,323,321	$ 11,100,276

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

(With Deloitte & Touché auditors' report dated March 14, 2019)

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,212,520	$ 2,591,578
Adjustments for :		
Depreciation expenses	791,923	696,313
Amortization expenses	17,484	10,821
Expected credit loss recognized on trade receivables	18,626	-
Impairment loss recognized on trade receivables	-	12,152
Interest expense	184,753	98,741
Interest income	(59,008)	(42,185)
Share of profit or loss of associates accounted for using the equity method	3,441	(3,900)
Loss on disposal of property, plant and equipment	1,108	760
Loss on disposal of investments accounted for using equity method	1,052	-
Write-downs of inventories	51,690	69,571
Impairment loss recognized on non-financial assets	10,149	10,022
Unrealized foreign currency exchange loss, net	55,366	7,505
Other	(2,786)	(2,077)
Changes in operating assets and liabilities		
Notes receivable	9,392	(19,583)
Trade receivables	(76,334)	(274,750)
Other receivables	8,432	(48,163)
Inventories - manufacturing	(204,296)	(478,104)
Inventories - constructing	(968,094)	(942,803)
Other current assets	(282,056)	(285,156)
Contract liabilities	958,846	-
Notes payable	10,356	(14,717)
Trade payables	546,176	129,229
Other payables	116,542	198,418
Other current liabilities	7,242	7,849
Net defined benefit liabilities	(9,082)	(10,261)
Cash generated from operations	3,403,442	1,711,260
Interest received	59,008	42,185
Interest paid	(172,357)	(87,799)
Income taxes paid	(612,576)	(507,652)
Net cash generated from operating activities	2,677,517	1,157,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(2,452,322)	-
Proceeds from sale of financial assets at amortized cost	2,168,064	-
Purchase of debt investments with no active market	-	(26,980)
Proceeds from sale of debt investments with no active market	-	24,388

(Continued)

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Payments for property, plant and equipment	$(1,632,106)	$(1,488,119)
Proceeds from disposal of property, plant and equipment	7,218	7,370
Increase in refundable deposits	(5,068)	(6,399)
Decrease (increase) in other non-current assets	688	(9,514)
Increase in prepayments for machinery and equipment	(1,281,462)	(2,160,318)
Increase in prepayments for long-term lease	(15,892)	(468,850)
Decrease in prepayments for long-term lease	6,346	-
Net cash used in investing activities	(3,204,534)	(4,128,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,322,560	1,133,072
Proceeds from long-term borrowings	2,439,205	3,307,300
Repayments of long-term borrowings	(924,804)	(964,220)
Repayments of finance lease payable	(509)	(330)
Dividends paid to owners of the Corporation	(893,892)	(893,892)
Dividends paid to non-controlling interests	(38,549)	(23,779)
Overdue dividends	135	-
Net cash generated from financing activities	1,904,146	2,558,151
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(104,215)	89,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,272,914	(323,096)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,744,558	3,067,654
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 4,017,472	$ 2,744,558

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

(With Deloitte & Touché auditors' report dated March 14, 2019) (Concluded)

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taiwan Piano Limited (the “Corporation”) was incorporated in January 1985. It manufactures and sells touch fastener, webbings, elastic, easy tape and several types of fabrics; and it also sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

The shares of the Corporation have been listed on the Taiwan Stock Exchange (TWSE) since January 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 14, 2019.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the “Group”):

1) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Classification, measurement and impairment of financial assets</u>

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$2,744,558	$2,744,558	-
Pledged deposits with original maturities of less than 3 months	Debt investments with no active market	Amortized cost	1,150	1,150	(a)
Time deposits with original maturities of more than 3 months	Debt investments with no active market	Amortized cost	2,388	2,388	(a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	2,316,396	2,316,396	(b)
Refundable deposits	Loans and receivables	Amortized cost	15,712	15,712	(b)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassify-cations	Remez-segments	IFRS 9 Carrying Amount as of January 1, 2018	Remark
Amortized cost					
Add: Reclassification from debt investments with no active market (IAS 39)	$ -	$ 3,538	$ -	$ 3,538	(a)
Add: Reclassification from loans and receivables (IAS 39)	-	5,076,666	-	5,076,666	(b)
	$ -	$ 5,080,204	$ -	$ 5,080,204	

a) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

b) Notes receivable, trade receivables, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for lease that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights are recognized as Wuxi Pahang Real Estate Co., Ltd.'s. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance lease in IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined based on the carrying amounts of the respective leased assets and finance lease payable as of December 31, 2018.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Other current asset	$ 11,848	$ (11,848)	$ -
Prepayments for leases - current	18,799	(18,799)	-
Prepayments for leases - non-current	1,109,491	(1,109,491)	-
Right-of-use assets	-	1,418,843	1,418,843
Total effect on assets	$ 1,140,138	$ 278,705	$ 1,418,843
Lease liabilities - current	$ -	$ 36,467	$ 36,467
Finance lease payables - current	734	(734)	-
Lease liabilities - non-current	-	242,972	242,972
Total effect on liabilities	$ 734	$ 278,705	$ 279,439

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Retained earnings	$ -	$ -	$ -
Non-controlling interests	-	-	-
Total effect on equity	$ -	$ -	$ -

(Concluded)

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretation will not have significant effect on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

The Group engages in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group’s construction-related assets and liabilities.

d. Basis of consolidation

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

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

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

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

See Note 13, Tables 9 and 10 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

f. Inventories

Manufacturing

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

Construction industry

The properties to be developed refer to the expenditure on land use rights and construction which will be reclassified as construction in progress at the start of the construction and obtaining of construction certificates of the properties.

Before acquiring land use right and before completing the construction, the interest incurred on land payment and the actual construction cost are capitalized as cost of land use right and as development cost, respectively.

Land for construction and real estate for sale are accounted for at cost. If there is sufficient evidence to show that the net realizable value is lower than the cost at the end of the period, then the difference is recognized as allowance for loss.

g. Investment in associates

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

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Impairment loss form part of carrying amount. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not premeasure the retained interest.

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

h. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the asset's useful life, such asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

i. Investment properties

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

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

For a transfer from the investment properties classification to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

j. Goodwill

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

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

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

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

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

l. Assets related to contract costs

When a sales contract is obtained, selling service fees paid to agents under exclusive sale agreements are recognized as assets (incremental costs of obtaining a contract) to the extent that the costs are expected to be recovered and are recognized in profit or loss when the property is transferred to the customers. However, the Group elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the related asset, which the Group otherwise would have recognized, is expected to be one year or less.

m. Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

I. Financial assets at amortized cost

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

I) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

I) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

ii. Investments in equity instruments at FVTOCI

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

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

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

2017

Loans and receivables (including cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as trade receivables and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables and other receivables that are written off against the allowance account.

c) DE recognition of financial assets

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

Before 2018, on DE recognition of a financial asset in its entirety, the difference between the assets's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on DE recognition of a financial asset at amortized cost in its entirety, the difference between the assets's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On DE recognition of an investment in a debt instrument at FVTOCI, the difference between the assets's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on DE recognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are carried at amortized cost using the effective interest method:

b) DE recognition of financial liabilities

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

o. Provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

p. Revenue recognition

2018

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

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

1) Revenue from the sale of goods

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/ the goods are shipped/ the goods are picked up because it is the time when the customer has the right to use and bears the risks on the goods. Trade receivables is recognized concurrently.

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

2) Revenue from the sale of realty estate

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

Sale of real estate is recognized as revenue on the day the real estate is transferred, i.e. the buyer and seller have signed the sales contract and have filed the relevant documents in the local real estate institution, acceptance has been qualified by relevant departments and the filing procedures are completed, and the seller issues a notice of real estate transfer according to the provisions of the contract.

Until such revenue is recognized, deposits and installment payments received from the buyer of properties are reported as contract liabilities - current in the consolidated balance sheets.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate applicable.

q. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and premeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occurred. Premeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Premeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

u. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment of receivables, the Group takes into consideration the estimation of the future cash flows. The amount of impairment loss is measured as the difference between such an asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Petty cash and cash on hand	$ 44,066	$ 43,535
Checking accounts and demand deposits	2,706,413	2,185,892
Cash equivalents (investments with original maturities of less than 3 months)	1,266,993	516,281
	4,017,472	2,745,708
Less: Pledged time deposits (classified as debt investments with no active market - current)	-	(1,150)
	$ 4,017,472	$ 2,744,558
Rate of interest per annum (%)		
Cash in bank	0.00-2.58	0.00-4.00
Investments with original maturities of less than 3 months	1.35-2.95	0.77-4.75

7. FINANCIAL ASSET AT FAIR VALVE THROUGH OTHER COMPREHENSIVE INCOME - NON- CURRENT - 2018

	December 31, 2018
Investments in equity instrument at FVTOCI - overseas unlisted common shares	
Leader Elastic Limited	$ 31,644

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

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Restricted deposit	$ 269,091
Time deposits with original maturities of more than 3 months	4,475
	$ 273,566
Non-current	
Time deposits with original maturities of more than 3 months	$ 9,565

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31, 2017
Current	
Restricted deposit	$ 1,150
Time deposits with original maturities of more than 3 months	2,388
	$ 3,538

Refer to Note 33 for information relating to debt investments with no active market pledged as security.

10. TRADE RECEIVABLES

	December 31	
	2018	2017
Trade receivables		
At amortized cost		
Gross carrying amounts	$ 2,290,254	$ 2,163,541
Less: Allowance for impairment loss	(116,430)	(99,518)
	$ 2,173,824	$ 2,064,023

In 2018

The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Group uses publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group distinguished the provision for loss allowance according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables.

December 31, 2018

	0 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 181 Days	Total
Expected credit loss rate	1%-4%	1%-20%	30%-40%	50%-80%	70%-100%	-
Gross carrying amount	$ 2,022,597	$ 172,839	$ 45,735	$ 15,151	$ 33,932	$ 2,290,254
Loss allowance (Lifetime ECL)	(32,641)	(25,238)	(16,114)	(11,232)	(31,205)	(116,430)
Amortized cost	$ 1,989,956	$ 147,601	$ 29,621	$ 3,919	$ 2,727	$ 2,173,824

The movements of the allowance for doubtful trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 99,518
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	99,518
Add: Net premeasurement of loss allowance	563
Add: Impairment loss recognized on receivables	18,626
Less: Amounts written off	(1,861)
Foreign exchange gains and losses	(416)
Balance at December 31, 2018	$ 116,430

In 2017

The average credit period of sales of goods was 30 to 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of trade receivables was as follows:

	December 31 2017
0-90 days	$ 1,962,603
91- 120 days	127,751
121-150 days	37,068
151-180 days	3,594
More than 180 days	32,525
	$ 2,163,541

The above aging schedule was based on the number of past due days from the invoice date. There were no receivables that were past due but not impaired.

The movements of the allowance for doubtful receivables were as follows:

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 93,211
Add: Impairment loss recognized on receivables	12,152
Less: Amounts written off	(3,817)
Foreign exchange gains and losses	(2,028)
Balance at December 31, 2017	$ 99,518

11. INVENTORIES

a. Manufacturing

	December 31	
	2018	2017
Finished goods	$ 774,196	$ 656,531
Work in process	426,727	417,948
Raw materials and supplies	871,495	762,813
Inventory in transit	71,153	99,566
	$ 2,143,571	$ 1,936,858

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $7,692,173 thousand and $7,028,205 thousand, respectively. The cost of goods sold included inventory write-down of $51,690 thousand and $69,571 thousand for years ended December 31, 2018 and 2017, respectively.

b. Construction industry

	December 31	
	2018	2017
Construction under development	$ 1,757,349	$ 1,688,534
Construction to be sold	1,397,613	-
Construction to be developed	-	543,860
	$ 3,154,962	$ 2,232,394

Construction under development

Location	Project Name	Estimated Year of Completion	December 31 2018	December 31 2017
Ishan District, Wuxi	Piano International Mansion - Season One	2019	$ 938,232	$ 1,688,534
	Piano International Mansion - Season Two	2020	499,092	-
	Piano Commercial Plaza	2020	320,025	-
			$ 1,757,349	$ 1,688,534

Construction to be sold

Location	Project Name	Estimated Year of Completion	December 31 2018	December 31 2017
Ishan District, Wuxi	Piano International Mansion - Season One	2018	$ 1,397,613	$ -

Construction to be developed

Location	Project Name	Estimated Year of Completion	December 31 2018	December 31 2017
Ishan District, Wuxi	Piano International Mansion - Season Two	2020	$ -	$ 379,299
	Piano Commercial Plaza	2020	-	164,561
			$ -	$ 543,860

The cost of inventories recognized as cost of real estate sold for the year ended December 31, 2018 and 2017 were $1,040,035 thousand and $14,800 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2017
Investments in associates	
Leader Elastic Limited	$ 34,213

In 2017, the Group held a 21% interest in Leader Elastic Limited and accounted for the investment as an associate. In June 2018, the Group did not subscribe for additional new shares of Leader Elastic Limited, reducing its continuing interest from 21% to 14%, and ceasing to have significant influence. Refer to Note7, the Group retained the remaining 14% interest as financial assets at FVTOCI whose fair value at the date of disposal was US$1,004 thousand. This transaction resulted in the recognition of loss in profit or loss, calculated as follows:

	In Thousands of US dollars
Fair value of retained investment (14%)	$ 1,004
Less: Carrying amount of investment on the date significant influence was lost	(1,028)
Share of other comprehensive income of the associate	(11)
Loss recognized	$ (35)

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2018	2017
Taiwan Piano Limited	Piano Inntel Limited	International investment	100	100
	Piano Group Inc.	International Investment	100	100
	Pt. Piano Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	99	99
	Piano North America Corporation	Sales of touch fasteners and various type of webbings	100	100
	Spring Rich Limited	Extra processing of webbings	100	100
	Vietnam Piano Limited	Manufacture and extra processing on touch fasteners and various type of webbings	33	33
Piano Inntel Limited	Piano Shih Holdings Corporation	International investment	52	52
	Dongguan Piano Textile Limited	Production & marketing of touch fasteners, elastics, various type of webbings and computerized embroidery	100	100
	He Mei Xing Ye Company Ltd.	International investment	100	100
	Zheng Yuan Xing Ye Company Ltd.	International trading	100	100
	Pt. Piano Indonesia	Production & marketing of touch fastener, various type of webbings and elastic	1	1
	Wuxi Paiho Textile Co., Limited	Processing of touch fastener, webbing and embroidery	4	4
Paiho Shih Holdings Corporation	Hong Kong Antex Limited	International investment	100	100
	Pai Lon International Trading Limited	International trading	100	100
	Hon Shin Corp.	International investment	100	100
Hong Kong Antex Limited	Wuxi Paiho Textile Co., Limited	Processing of touch fastener, webbing and embroidery	93	93
	Dongguan Paihong Industry Co., Ltd	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	34	34

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2018	2017
Wuxi Paiho Textile Co., Limited	Dongguan Paihong Industry Co., Ltd	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	66	66
	Wuxi Paihong Real Estate Co., Ltd.	Commercial property management; planning consultants, sales & leasing of real estate and design decoration	100	100
	Wuxi Paiwei Biotechnology Co. Ltd	Production and sales of masks and non-woven products; self-operation & agent in the import & export of various goods and technology	100	-
Hon Shin Corp.	Vietnam Paihong Limited Company	Production & marketing of mesh and other fabrics	100	100
He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Manufacture and extra processing on touch fasteners and various type of webbings	67	67
Paiho Group Inc.	Paiho Holdings Limited Company	International investment	100	100
Paiho Holdings Limited	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	25	25
	China Star International Limited	Production & marketing of powder coating	100	100
	Braits Company Limited	International investment	100	100
Braits Company Limited	Wuxi Paisem Chemical Fibre Co., Ltd.	Production & marketing of chemical fiber	100	100
Wuxi Paisem Chemical Fibre Co., Ltd.	Wuxi Paiho Textile Co., Limited	Fabrication products of touch fasteners, webbing and embroidery	3	3
China Star International Limited	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	75	75

(Concluded)

Refer to Tables 11 and 12 for investment structure as of December 31, 2018 and 2017.

See Tables 9 and 10 for the information on places of incorporation and principal places of business of each subsidiary.

Based on the resolution of the corporation’s board of directors on November 7, 2017, Wuxi Paiho Textile Co., Limited reinvested in establishing Wuxi Paiwei Biotechnology Co.; the equity investment was made on January 2, 2018.

The financial statements of subsidiaries included in the consolidated financial statements were audited by the auditors for the same year.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2018	2017
Paiho Shih Holdings Corporation and subsidiaries	48%	48%

Name of Subsidiary	Profit (loss) Allocated to Non-controlling Interests For the Year Ended December 31 2018	2017	Accumulated Non-controlling Interests December 31 2018	2017
Paiho Shih Holdings Corporation and subsidiaries	$ 154,036	$ 212,896	$2,323,321	$2,305,894

Paiho Shih Holdings Corporation and subsidiaries

	December 31 2018	2017
Current assets	$ 8,022,324	$ 5,571,975
Non-current assets	7,013,693	5,601,676
Current liabilities	(6,695,634)	(4,059,844)
Non-current liabilities	(3,143,803)	(1,982,380)
Equity	$ 5,196,580	$ 5,131,427
Equity attributable to:		
Owners of Paiho Shih Holdings Corporation	$ 2,873,259	$ 2,825,533
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	2,323,321	2,305,894
	$ 5,196,580	$ 5,131,427

	For the Year Ended December 31 2018	2017
Revenue	$ 5,992,847	$ 4,241,719
Profit for the year	$ 373,641	$ 475,208
Other comprehensive income for the year	(210,537)	29,450
Total comprehensive income for the year	$ 163,104	$ 504,658

(Continued)

	For the Year Ended December 31	
	2018	2017
Profit attributable to:		
Owners of Paiho Shih Holdings Corporation	$ 219,605	$ 262,312
Non-controlling interests of Paiho Shih Holdings Corporation's subsidiaries	154,036	212,896
	$ 373,641	$ 475,208
Total comprehensive income attributable to:		
Owners of Paiho Shih Holdings Corporation	$ 107,128	$ 276,028
Non-controlling interests of Paiho Shih Holdings Corporation's subsidiaries	55,976	228,630
	$ 163,104	$ 504,658
Net cash inflow (outflow) from:		
Operating activities	$ 1,303,247	$ (667,935)
Investing activities	(2,141,756)	(2,950,012)
Financing activities	1,977,749	3,199,274
Net cash inflow (outflow)	$ 1,139,240	$ (418,673)

(Concluded)

14. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2018					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost						
Land	$ 537,812	$ 23,812	$ (1,463)	$ 10,000	$ 2,571	$ 572,732
Buildings	3,722,882	15,864	(2,394)	278,482	11,620	4,026,454
Machinery and equipment	5,123,824	146,477	(55,301)	1,010,517	7,086	6,232,603
Transportation equipment	206,950	19,813	(15,804)	32,293	136	243,388
Miscellaneous equipment	606,081	68,345	(9,314)	18,843	(5,128)	678,827
Construction in progress	1,719,111	1,092,586	-	(116,039)	36,854	2,732,512
	11,916,660	$ 1,366,897	$ (84,276)	$ 1,234,096	$ 53,139	14,486,516
Accumulated depreciation and impairment						
Buildings	1,198,025	$ 163,879	$ (2,380)	$ -	$ (6,024)	1,353,500
Machinery and equipment	2,247,690	520,949	(52,176)	-	(1,940)	2,714,523
Transportation equipment	104,609	26,669	(13,359)	126	(620)	117,425
Miscellaneous equipment	408,089	74,066	(8,035)	(126)	(3,697)	470,297
	3,958,413	$ 785,563	$ (75,950)	$ -	$ (12,281)	4,655,745
	$ 7,958,247					$ 9,830,771

(Continued)

	For the Year Ended December 31, 2017					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
Cost						
Land	$ 517,441	$ 17,894	$ -	$ 9,180	$ (6,703)	$ 537,812
Buildings	3,748,672	41,263	(1,001)	65,071	(131,123)	3,722,882
Machinery and equipment	4,419,966	139,850	(54,643)	723,572	(104,921)	5,123,824
Transportation equipment	221,510	22,467	(42,657)	12,920	(7,290)	206,950
Miscellaneous equipment	546,769	38,933	(6,073)	40,661	(14,209)	606,081
Construction in progress	208,421	1,639,263	-	(83,069)	(45,504)	1,719,111
	9,662,779	$ 1,899,670	$ (104,374)	$ 768,335	$ (309,750)	11,916,660
Accumulated depreciation and impairment						
Buildings	1,067,118	$ 157,546	$ (1,001)	$ 715	$ (26,353)	1,198,025
Machinery and equipment	1,910,743	441,853	(50,987)	-	(53,919)	2,247,690
Transportation equipment	121,367	24,839	(38,544)	-	(3,053)	104,609
Miscellaneous equipment	356,321	65,832	(5,712)	-	(8,352)	408,089
	3,455,549	$ 690,070	$ (96,244)	$ 715	$ (91,677)	3,958,413
	$ 6,207,230					$ 7,958,247

(Concluded)

The Corporation purchased land located in Hebei Section, Hemei Township, Changhua County with area of 55 square meters (classified as freehold land with carrying value of NT$264 thousand), located in Zhongxiao Section with area of 2,597 square meters (classified as freehold land with carrying value of $8,773 thousand), and located in Yuemei Section with area of 5,010 square meters (classified as freehold land with carrying value of NT$39,611 thousand); the parcels of land are registered as agricultural land in the name of third parties but certificates of rights and titles to the land are held by the Corporation.

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

Buildings	
Main buildings	5-60 years
Electrical power equipment	3-20 years
Engineering system	3-25 years
Other	2-7 years
Machinery and equipment	2-16 years
Transportation equipment	4-11 years
Miscellaneous equipment	2-35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 33.

15. INVESTMENT PROPERTIES

	For the Year Ended December 31, 2018				
	Beginning Balance	Additions	Reclassified Amount	Translation Adjustments	Ending Balance
Cost	$ 198,455	$ -	$ -	$ (3,451)	$ 195,004
Accumulated depreciation and impairment	23,277	6,360	-	(549)	29,088
Carrying amounts at December 31, 2018	$ 175,178				$ 165,916

	For the Year Ended December 31, 2017				
	Beginning Balance	Additions	Reclassified Amount	Translation Adjustments	Ending Balance
Cost	$ 204,184	$ -	$ (1,562)	$ (4,167)	$ 198,455
Accumulated depreciation and impairment	18,004	6,243	(715)	(255)	23,277
Carrying amounts at December 31, 2017	$ 186,180				$ 175,178

Management was unable to reliably measure the fair value of investment property located in Wuxi, China. The investment property is the Group's freehold manufacturing facilities and dormitory held for lease or for future development. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable. Investment properties are depreciated using the straight-line method over 20-50 years useful lives.

16. GOODWILL

	For the Year Ended December 31	
	2018	2017
Cost		
Balance at January 1	$ 242,646	$ 270,462
Impairment loss	(10,149)	(10,022)
Effect of foreign currency exchange differences	5,113	(17,794)
Balance at December 31	$ 237,610	$ 242,646

17. PREPAYMENTS FOR LEASE

	December 31	
	2018	2017
Current	$ 18,799	$ 16,135
Non-current	1,109,491	1,138,007
	$ 1,128,290	$ 1,154,142

Dongguan Paiho Textile Limited acquired the land use right over 45,452 square meters of land for 50 years from Hengliu Management District, Shatian Town, Dongwan.

Wuxi Paiho Textile Co., Limited acquired the land use right over 191,799 square meters of land for 50 years from Xishan Economic and Development Zone, Wuxi City. The discount given by local government was classified as deferred revenue.

Dongguan Paihong Industry Co., Ltd acquired the land use right over 80,316 square meters of land for 47 years from Environmental Industrial City, Shatian Town, Dongguan City.

Wuxi Paisen Chemical Fibre Co., Ltd acquired the land use right over 36,666 square meters of land for 50 years from Wuxi City, Xishan Economic and Development Zone. The land is intended for leasing and has been classified as investment properties.

Vietnam Paihong Limited Company signed a land lease contract with Vietnam land developer Investment And Industrial Development Corporation to acquire the land use right over 250,000 square meters of land from Vietnam, Pingyang Province BAO-PENG Industrial Zone, and the tenure is effective through April 2066. The transaction amount was VND272,030,400 thousand (about US$12,000 thousand). As of December 31, 2018, the procedure for acquiring the land use right was still in progress.

Vietnam Paiho Limited acquired the land use right over 29,042 square meters of land for 33 to 46 years from Ho Chi Minh City. In addition, Vietnam Paiho Limited purchased rights for use of lands with areas of 3,416, 14,821 and 88,168 square meters from CONG TY TNHH LIEN HUNG, TAN TAO CORPORATION and Saigon VRG Investment Corporation, respectively. However, it gave up the land use right over 3,416 square meters of land during 2018 and retrieved VND10,272,000 thousand (about US$480 thousand). As of December 31, 2018, the procedure for acquiring the land use rights was still in progress.

Pt. Paiho Indonesia purchased the land use right over 105,162 square meters of land from Indonesia, Suma, Wumei Area, West Java from PT. CONSMO TECHNOLOGY.

The leased land is utilized to build manufacturing facilities, office buildings, employee dormitory facilities or in production activities. Within the land use right usage period, the holder has the right or usufruct, ownership transfer, sublease, pledge and inheritance and is responsible for paying taxes and dues levied on the holding and use of the land.

18. OTHER ASSETS

	December 31	
	2018	2017
Current		
Tax overpayment for offset with future tax payable	$ 431,093	$ 388,902
Prepaid expenses	42,509	56,424
Prepayments	39,573	80,507
Others	69,642	14,051
	$ 582,817	$ 539,884

(Continued)

	December 31	
	2018	2017
Non-current		
Refundable deposit	$ 20,780	$ 15,712
Others	19,116	19,804
	$ 39,896	$ 35,516

(Concluded)

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Line of credit borrowings	$ 5,140,377	$ 3,638,622
Rate of interest per annum (%)	1.00-4.50	2.11-3.25

b. Long-term borrowings

	December 31	
	2018	2017
Secured loans - due in November 2020 - June 2022	$ 1,335,860	$ 1,635,062
Unsecured loans - due in April 2019 - November 2023	3,513,209	1,621,946
	4,849,069	3,257,008
Less: Current portions	(388,402)	(19,680)
Long-term borrowings	$ 4,460,667	$ 3,237,328
Rate of interest per annum (%)		
Secured loans	1.09-1.79	1.09-2.94
Unsecured loans	0.79-4.18	2.50-3.13

Refer to Note 33 for the details of assets pledged as collaterals for long-term borrowings.

In December, 2016, the Corporation obtain a syndicated loan from Bank of Taiwan and multiple financial institutions in the amount of NT$1,300 million. Fundation from the syndicated loan was used to repay the bank loan and broaden the Corporation's working capital. Pursuant to the syndicated loan agreement, the Corporation required to maintain certain financial ratios as follows:

1) Current ratio (current assets ÷ current liabilities): Not less than 100%;

2) Debt ratio to equity ratio (total liabilities ÷ net tangible assets): Not higher than 150%;

3) Interest protection multiples (profit before income tax + interest expense, depreciation and amortization amount ÷ interest expense): Not less than 4 times and;
4) Net tangible assets (total equity minus intangible assets): Not less than $5 billion.

Furthermore, the Corporation cannot dispose any material assets or rights and repurchase stocks or reduce capital without permissions of the creditor banks during the loan period.

In order to repay the loans, support overseas investment and provide sufficient operation funds, Paiho Shih Holdings Corporation obtained a syndicated loan with a credit line of US$150 million from KGI Commercial Bank and multiple financial institutions in October 2018. According to the loan contract, Paiho Shih Holdings Corporation is required to maintain its financial ratios as follows:

1) Current ratio [current assets ÷ current liabilities minus advance real estate receipts (classified as contract liabilities - current)] not less than 100%;

2) Debt ratio [total liabilities minus advance real estate receipts (classified as contract liabilities - current) ÷ tangible net assets] not higher than 180%;

3) Interest coverage ratio [profit before income tax + interest expense, depreciation and amortization amount ÷ interest expense] not less than 3 times and;

4) Tangible net assets [total equity minus intangible assets] not less than $3.5 billion.

Furthermore, Paiho Shih Holdings Corporation cannot dispose any material assets or rights, repurchase stocks, or reduce capital without the permissions of the creditor banks during the loan period.

20. FINANCE LEASE PAYABLES

	December 31	
	2018	2017
Minimum lease payments		
Not later than 1 year	$ 865	$ 836
Later than 1 year and not later than 3 years	-	882
	865	1,718
Less: Future finance charges	131	460
Present value of minimum lease payments	$ 734	$ 1,258

(Continued)

	December 31	
	2018	2017
Present value of minimum lease payments		
Not later than 1 year	$ 734	$ 509
Later than 1 year and not later than 3 years	-	749
	$ 734	$ 1,258

(Concluded)

The Group leased certain transportation equipment under finance leases for 3 years. The Group has the right to purchase the equipment at the end of the lease.

Interest rates underlying all obligations under finance leases were fixed on the contract dates at 4.75%.

21. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries and bonuses	$ 694,131	$ 526,076
Payables for purchases of building and equipment	163,576	428,785
Payables for compensation of employees and remuneration of directors	78,853	86,570
Tax payable	12,825	23,134
Others	547,083	515,548
	$ 1,496,468	$ 1,580,113

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China and Vietnam are members of a state-managed retirement benefit plans operated by the governments of China and Vietnam. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

Some subsidiaries also adopt defined benefit plans as the pension plan for employees.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 421,123	$ 407,548
Fair value of plan assets	(179,581)	(156,831)
Net defined benefit liabilities	$ 241,542	$ 250,717

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2017	$ 395,229	$ (133,617)	$ 261,612
Service cost			
Current service cost	10,897	-	10,897
Net interest expense (income)	4,959	(1,566)	3,393
Recognized in profit or loss	15,856	(1,566)	14,290
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	171	171
Actuarial loss - changes in demographic assumptions	75	-	75
Actuarial loss - changes in financial assumptions	2,706	-	2,706
Actuarial loss - experience adjustments	2,245	-	2,245
Recognized in other comprehensive income	5,026	171	5,197
Contributions from the employer	-	(30,382)	(30,382)
Benefits paid	(8,563)	8,563	-
Balance at December 31, 2017	407,548	(156,831)	250,717

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Service cost			
Current service cost	$ 12,491	$ -	$ 12,491
Net interest expense (income)	5,030	(1,926)	3,104
Recognized in profit or loss	17,521	(1,926)	15,595
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,333)	(4,333)
Actuarial loss - changes in demographic assumptions	(280)	-	(280)
Actuarial loss - changes in financial assumptions	$ 12,016	$ -	$ 12,016
Actuarial loss - experience adjustments	(5,741)	-	(5,741)
Recognized in other comprehensive income	5,995	(4,333)	1,662
Contributions from the employer	-	(25,208)	(25,208)
Benefits paid	(9,941)	8,717	(1,224)
Balance at December 31, 2018	$ 421,123	$ (179,581)	$ 241,542

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	2017
Discount rates	1.00%	1.25%
Expected rates of salary increase	2.00%	2.00%

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

	December 31	
	2018	2017
Discount rate		
0.25% increase	$ (11,992)	$ (11,797)
0.25% decrease	$ 12,548	$ 12,344
Expected rate of salary increase		
0.25% increase	$ 12,101	$ 11,896
0.25% decrease	$ (11,624)	$ (11,425)

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	$ 3,562	$ 3,715
Average duration of the defined benefit obligation	10 years	11 years

Paiho Int'L Limited, Paiho Group Inc., Paiho Holdings Limited, Braits Company Limited, Pailon International Trading Limited, Hon Shih Corp., He Mei Xing Ye Company Ltd. and Zhong Yuan Xing Ye Company Ltd. are foreign corporations which have not established pension plan.

Hong Kong Antex Limited has no employee. Therefore, the corporation has not established a pension plan.

Paiho North America Corporation has not established a pension plan.

23. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current and non-current classifications of the Group's assets and liabilities relating to the construction business are based on the operating cycle. The amounts of assets and liabilities expected to be recovered or settled within 1 year and more than 1 year after the reporting period are as follows:

	Within 1 Year	More Than 1 Year	Total
December 31, 2018			
Assets			
Other receivables	$ 3,435	$ -	$ 3,435
Inventory - constructing	2,335,845	819,117	3,154,962
Other current assets	54,363	-	54,363
	$ 2,393,643	$ 819,117	$ 3,212,760
Liabilities			
Trade payables	$ 611,104	$ -	$ 611,104
Other payables	71,637	-	71,637
Contract liabilities - current	976,837	-	976,837
	$ 1,659,578	$ -	$ 1,659,578
December 31, 2017			
Assets			
Other receivables	$ 2,319	$ -	$ 2,319
Inventory - constructing	1,688,534	543,860	2,232,394
Other current assets	31,006	-	31,006
	$ 1,721,859	$ 543,860	$ 2,265,719
Liabilities			
Trade payables	$ 7,279	$ -	$ 7,279
Other payables	8,113	-	8,113
	$ 15,392	$ -	$ 15,392

24. EQUITY

a. Common stock

	December 31	
	2018	2017
Number of shares authorized (in thousands)	380,000	380,000
Shares authorized	$ 3,800,000	$ 3,800,000
Number of shares issued and fully paid (in thousands)	297,964	297,964
Shares issued	$ 2,979,639	$ 2,979,639

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

b. Capital surplus

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Articles of Incorporation (Articles), when the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

According to the Articles amended by the Corporation's board of directors as the basis on March 14, 2019, when the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, and when distributing by issuing new shares, it should be resolved in the shareholders' meeting for the distribution of new shares to shareholders.

According to the Company Act, the dividends and bonuses could be distributed, in the whole or in part, from legal reserves and capital surplus by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting. The amended Articles will be effective after a resolution has been adopted by the shareholders in their meeting to be held on June 13, 2019.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to c. Employees' compensation and remuneration of directors and supervisors in Note 26-C.

The Corporation's dividend policy is in line with the overall environment and the maturity of the industry, and considers the future expansion of operations, capital requirements and the impact of the tax system on the Corporation and its shareholders. The Corporation will adjust dividend distribution according to the profitability. To maintain a stable growth in earnings per share, the dividend distribution ratio of the shareholders shall be not less than the current year's earnings after payment of tax, deduction to make up for the previous year's losses, appropriation for legal reserve, and deduction of 25% of the balance of other undistributed earnings in the current year. Total amount of dividends shall be distributed at the ratio of not less than 15% cash dividends and the remaining as stock dividends.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 which have been approved in the shareholders' meetings in June 2018 and 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 161,978	$ 149,037		
Special reserve	22,408	-		
Cash dividends	893,892	893,892	$ 3	$ 3

The appropriations of earnings for 2018 had been proposed by the Corporation's board of directors on March 14, 2019. The appropriations were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 136,031	
Special reserve	(1,301)	
Cash dividends	744,706	$ 2.6

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 13, 2019.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation transferred accumulated exchange differences on translating the financial statements of foreign operations of $246,690 thousand to retained earnings, and at the same time, appropriated the same amount as special reserve.

A proportionate share of the special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Corporation) will be reversed on the disposal of foreign operations. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

25. SALES REVENUE AND COST

	For the Year Ended December 31	
	2018	2017
Revenue from contract with customers		
Revenue from sale of goods	$12,192,120	$11,729,038
Revenue from sale of real estate	1,523,930	18,918
	$13,716,050	$11,747,956
Operating cost		
Cost of goods sold	$ 7,692,173	$ 7,028,205
Cost of real estate sales	1,040,035	14,800
	$ 8,732,208	$ 7,043,005

Contract balance

	December 31, 2017
Contract liabilities - current	
Sales of real estate	$ 976,837

26. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest expense - Information about capitalized interest

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 80,895	$ 3,737
Capitalization rates (%)	1.79-3.82	1.43

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses and Non-Operating Expenses	Total
For the Year Ended December 31, 2018			
Short-term employee benefits	$ 1,546,887	$ 1,281,520	$ 2,828,407
Post-employment benefits			
Defined contribution plans	98,231	37,875	136,106
Defined benefit plans (Note 22)	2,282	13,313	15,595
Other employee benefits	136,032	71,073	207,105
Depreciation expenses	653,104	138,819	791,923
Amortization expenses	8,766	8,718	17,484
For the Year Ended December 31, 2017			
Short-term employee benefits	1,525,145	1,038,569	2,563,714
Post-employment benefits			
Defined contribution plans	87,196	26,953	114,149
Defined benefit plans (Note 22)	2,218	12,072	14,290
Other employee benefits	119,945	70,312	190,257
Depreciation expenses	598,825	97,488	696,313
Amortization expenses	8,601	2,220	10,821

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Corporation's board of directors on March 14, 2019 and March 16, 2018, respectively, are as follows:

	For the Year Ended December 31			
	2018		2017	
Cash	Accrual rate	Amount	Accrual rate	Amount
Employees' compensation	1.40%	$ 23,920	1.38%	$ 28,483
Remuneration of directors	0.90%	15,419	0.89%	18,360

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

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation	Remuneration of Directors and Supervisors	Employees' Compensation	Remuneration of Directors and Supervisors
Amount resolved by the board of directors	$ 28,483	$ 18,360	$ 26,207	$ 16,893
Amount recognized in the financial statements	$ 28,828	$ 18,582	$ 27,063	$ 17,800

The actual amounts of the employees' compensation and remuneration of directors paid for 2017 and 2016 differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the TWSE.

d. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 51,867	$ 22,688
Foreign exchange losses	(101,910)	(92,255)
	$ (50,043)	$ (69,567)

27. INCOME TAXES RELATED TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 588,768	$ 642,300
Income tax on unappropriated earnings	53,697	43,967
Adjustments for prior years	(42,567)	(7,572)
Land value increment tax	30,481	239
	630,379	678,934
Deferred tax		
In respect of the current year	(46,124)	79,966
Adjustments to deferred tax attributable to changes in tax rates and laws	113,923	-
	67,799	79,966
Income tax expense recognized in profit or loss	$ 698,178	$ 758,900

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 966,027	$ 855,421
Permanent difference	(209,129)	(134,333)
Temporary difference	(214,197)	1,221
Income tax on unappropriated earnings	53,697	43,967
Deduction of loss incurred in the current period	(57)	(43)
Adjustments for prior years' tax	(42,567)	(7,572)
Adjustments to deferred tax attributable to changes in tax rates and laws	113,923	-
Land value increment tax	30,481	239
Income tax expense recognized in profit or loss	$ 698,178	$ 758,900

In 2017, the applicable corporate income tax rate used by the Group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities in the Group which operate in other jurisdictions are based on the tax laws in those jurisdictions.

Wuxi Paiho Textile Co., Limited and Dongguan Paihong Industry Co., Ltd were originally levied at an income tax rate of 25%, subject to the relevant provisions of the Enterprise Income Tax Law of the People's Republic of China (New Enterprise Income Tax Law) and its implementation regulations. The administrative measures stipulate that if an enterprise applies for Measures for the Administration of Accreditation of New and High Technology Enterprises that is determined to be supported by the state and needs to enjoy a preferential tax rate of 15%, it shall be valid for 3 years. Wuxi Paiho Textile Co., Limited obtained the new and high technology enterprises certificate in 2010 and reviewed it in 2013 and re-applied in 2016. Therefore, the preferential tax rate will be 15% by 2019.

Dongguan Paihong Industry Co., Ltd has obtained the new and high technology enterprises certificate since 2015 and enjoys a preferential tax rate of 15% from 2015 to 2017. Dongguan Paihong Industry Co., Ltd. has submitted a review application in 2018.

Wuxi Paihong Real Estate Co., Ltd.'s income tax rate is 25%.

Vietnam Paiho Limited's income tax rate for 2018 and 2017 is 20%.

Vietnam Paihong Limited Company is entitled to income tax incentives based on the Law on Foreign Investment in Vietnam and is entitled to income tax exemption for six years beginning from the first year of profit earned - full exemption in the first two years and half exemption in the next four years (10% tax rate).

As the status of appropriations of earnings in 2019 is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ (2,444)	$ -
In respect of the current year:		
Remeasurement of defined benefit plans	(2)	(1,112)
Translation of foreign operations	(119)	(48,970)
	$ (2,565)	$ (50,082)

c. Deferred tax assets and liabilities

Deferred tax assets and liabilities were as follows:

	For the Year Ended December 31, 2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory value decline	$ 36,914	$ 749	$ -	$ 37,663
Defined benefit obligation	29,300	(275)	1,459	30,484
Profit from associates	12,635	(1,421)	-	11,214
Doubtful debts	8,719	2,661	-	11,380
Exchange difference on foreign operations	5,589	-	1,106	6,695
Unrealized foreign currency exchange loss	2,796	(2,796)	-	-
Others	11,341	25,649	-	36,990
	$ 107,294	$ 24,567	$ 2,565	$ 134,426
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 845,117	$ 74,356	$ -	$ 919,473
Unrealized foreign currency exchange gain	-	1,151	-	1,151
Others	16,551	16,859	-	33,410
	$ 861,668	$ 92,366	$ -	$ 954,034

(Continued)

	For the Year Ended December 31, 2017			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory value decline	$ 33,848	$ 3,066	$ -	$ 36,914
Defined benefit obligation	32,341	(4,153)	1,112	29,300
Profit from associates	5,750	6,885	-	12,635
Doubtful debts	7,623	1,096	-	8,719
Exchange difference on foreign operations	-	-	5,589	5,589
Unrealized foreign currency exchange loss	-	2,796	-	2,796
Others	1,416	9,925	-	11,341
	$ 80,978	$ 19,615	$ 6,701	$ 107,294
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 751,924	$ 93,193	$ -	$ 845,117
Exchange difference on foreign operations	43,381	-	(43,381)	-
Unrealized foreign currency exchange gain	1,150	(1,150)	-	-
Others	9,013	7,538	-	16,551
	$ 805,468	$ 99,581	$ (43,381)	$ 861,668

(Concluded)

d. Income tax assessments

Income tax returns of the Corporation and Spring Rich Limited through 2016 have been examined and cleared by the tax authorities.

28. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,360,306	297,964	$4.57
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	548	

(Continued)

	Net profit Attributable to Owners of the Corporation Net profit	Number of Shares (In Thousands)	Earnings Per Share (NT$)
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 1,360,306	298,512	$4.56
For the Year Ended December 31, 2017			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,619,782	297,964	$5.44
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	288	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 1,619,782	298,252	$5.43

(Concluded)

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

29. OPERATING LEASE ARRANGEMENTS

The Group is leasing buildings and equipment as lessee. The lease periods are from 1 year to 9 years.

The future minimum lease payments for non–cancellable operating leases are as follows:

	December 31	
	2018	2017
Less than 1 year	$ 58,247	$ 45,901
1 to 5 years	113,055	79,505
More than 5 years	8,780	19,686
	$ 180,082	$ 145,092

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

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

31. FINANCIAL INSTRUMENTS

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

The Group considers the book value of financial instruments not measured at fair value as approximate fair value.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3
December 31, 2018			
Financial assets at FVTOCI			
Investments in equity instruments at FVTOCI			
Foreign unlisted shares	$ -	$ -	$ 31,644

The Group's financial assets at fair value through other comprehensive income are measured at Level 3.

2) Adjustments of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income

	For the Year Ended December 31, 2018
Beginning balance	$ -
Reclassification	30,582
Recognition in other comprehensive income of unrealized gain/(loss) on financial assets at FVTOCI	790
Translation adjustment	272
Ending balance	$ 31,644

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Debts investment without active market	$ -	$ 3,538
Loans and receivable (1)	-	5,076,666
Financial assets at amortized cost (2)	7,031,027	-
Financial assets at fair value through other comprehensive income - equity instruments	31,644	-
Financial liabilities		
Amortized cost (3)	12,549,721	8,961,373

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, restricted deposit, debt instrument, notes receivable, trade receivables, other receivables and refundable deposits.

3) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables and long-term borrowings, finance lease payable, guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include deposits, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates with financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The Corporation and subsidiaries have foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group is mainly exposed to the USD, RMB, VND and HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

	Currency Impact	
	For the Year Ended December 31	
	2018	**2017**
USD	$ (13,183)	$ (4,907)
RMB	1,038	1,362
VND	113	372
HKD	439	382

The Group's exposure was mainly attributable to the outstanding receivables and payables in USD, RMB, VND and HKD, which were not hedged at the end of the reporting period.

In the management's opinion, sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2018	**2017**
Fair value interest rate risk		
Short-term borrowings	$ 2,422,213	$ 1,547,646
Cash flow interest rate risk		
Short-term borrowings	2,718,164	2,090,976
Long-term borrowings (including current portion)	4,849,069	3,257,008

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would have decreased/ increased by $18,918 thousand and $13,370 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties.

In order to minimize credit risk, the Group had set up credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate allowances is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical locations. On-going credit evaluation is performed on the financial condition of debtors in trade receivables.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized bank loan facilities of $9,402,896 thousand and $8,148,588 thousand, respectively.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual obligations for its non-derivative financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

	Less Than 3 months	**3 months - 1 Year**	**Over 1 Year**
December 31, 2018			
Non-interest bearing	$ 2,242,289	$ 313,984	$ 3,268
Finance lease payable	734	-	-
Short-term bank loan	2,538,930	2,601,447	-
Long-term bank loan	4,920	383,482	4,460,667
	$ 4,786,873	$ 3,298,913	$ 4,463,935
December 31, 2017			
Non-interest bearing	$ 1,593,952	$ 467,208	$ 3,325
Finance lease payable	113	396	749
Short-term bank loan	1,793,040	1,845,582	-
Long-term bank loan	4,920	14,760	3,237,328
	$ 3,392,025	$ 2,327,946	$ 3,241,402

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party	**Relationship with the Group**
Zhuhai Sundust Apparel Company Limited	Associate (not related party from June, 2018)
A-Wei Chen Cheng	Others
Cheng-Tsung Cheng	Others
Kuo-Ian Cheng	Others
Ming-Chang Chiang	Others
Chang-Chieh Liu	Others
Chin-Hui Lin	Others
Hsi-Tung Cheng	Others
Hsin-Fa Huang	Others
Chiang-Tong Huang	Others
Yi-Chang Lin	Others
Chen-Chia Cheng	Others
Hsi-Ming Pai	Others
Ru-Shin Cheng	Others
Mei-Hui Lin	Others
Yun-Yun Cheng	Others

b. Sales of goods

	For the Year Ended December 31	
Related Parties Category/Name	**2018**	**2017**
Others	$ 135,022	$ -

Others refer to sale of construction assets - Paiho International Mansion at subscription price of $207,868 thousand (tax included), which was approved in the local filing. As of December 31, 2018, real estate receivable was $1,790 thousand (classified as trade receivable), and advance real estate receipts were $54,934 thousand (classified as contract liabilities – current).

c. Purchases of goods

	For the Year Ended December 31	
Related Parties Category/Name	**2018**	**2017**
Associates	$ 18,808	$ 26,446

The purchase prices are according to the market price and the terms of payment are about one month.

d. Rent expense (included in cost of goods sold and operating expense)

Related Parties Category/Name	For the Year Ended December 31 2018	2017
Others	$ 1,446	$ 1,446

The rental rate is based on the rental in the neighboring area, and is subject to agreement between the parties.

e. Payable to related parties (excluding loans from related parties)

Related Parties Category/Name	December 31 2018	2017
Associates	$ -	$ 7,562

f. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 168,346	$ 187,994
Post-employment benefits	502	653
	$ 168,848	$ 188,647

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for long-term borrowings, guarantees, and power company:

	December 31 2018	2017
Financial assets at amortized cost	$ 278,656	$ -
Pledged regular deposits (classified as debt investment with no active market - current)	-	3,538
Land use right	-	102,855
Property, plant and equipment	661,346	2,379,346
	$ 940,002	$ 2,485,739

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments, and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

a. Group's unrecognized commitments

	December 31	
	2018	2017
Acquisition of property, plant and equipment	$ 899,782	$ 1,389,942
Acquisition of land use right	$ 7,703	$ 18,897

b. As of December 31, 2018 and 2017, the Group had signed construction contracts but not yet paid for approximately NT$2,045,294 thousand and NT$822,495 thousand, respectively.

c. The Group had signed contracts of presold real estate. Information is set out below.

	Total Amount (Including tax)	Received Amount
Construction Name		
Paiho International Mansion	$ 1,442,842	$ 976,837

d. In July 2008, the Corporation signed a 10-year Technical Services Agreement with non-related party to acquire expertise in molded hook production. According to the Agreement, the Corporation will have to pay premium of US$281 thousand each year and an additional premium payment according to a certain percentage of the sales amount at the end of each year. The Agreement is extended for another 10 years after the expiration in 2018.

e. After approval of a resolution at the extraordinary general meeting of shareholders on September 2, 2010, the Corporation and Paiho Shih Holdings Corporation signed an agreement on "Comprehensive Agreement on the Use of Trademarks and Patent Rights, Sales Area Division and Affiliates Transactions".

   After listing on the stock exchange, Paiho Shih Holdings Corporation obtained approval to purchase shares of Paiho Europe, S.A. and Paiho North America Corporation by itself or its subsidiaries on appropriate time and at a fair price according to valuation of a professional appraisal organization.

   In addition, to meet the requirements for listing, after approval of a resolution at the annual shareholders' meeting on April 21, 2011, Paiho Shih Holdings Corporation revised part of the articles in the above agreement about the Sales Area Division and about the non-compete clause.

   Due to decline in business and economy, the Corporation has terminated the operation of Paiho Europe, S.A. Therefore, on February 27, 2014, Paiho Shih Holdings Corporation submitted a letter to Taiwan Stock Exchange to report that Paiho Europe, S.A. no longer exists and Paiho Shih Holdings Corporation cannot continue the above agreement.

f. Subsidiaries of the Group, which are property developers in mainland China, sold real estate and guaranteed the mortgage bank loans of some of its customers (including natural persons and juridical persons). The amount of mortgage loans was remitted to the subsidiaries of the Group as payment for the property sold. If a customer breached a mortgage contract, the subsidiaries of the Group will return to the banks only the amount of mortgage received. Therefore, the Group is not exposed to risk of material loss from the guarantee. The guarantee is just a selling feature in the real estate development industry in China and it does not bear the economic substance and risk of ordinary endorsement. In addition, according to the Q&A No. 35 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the Regulations) announced on December 26, 2012 by the SFB, the above guarantee provided by the subsidiaries of the Group to its customers is similar to an escrow, instead of endorsement as defined in the Regulations.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2018			December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**	**Foreign Currencies**	**Exchange Rate**	**Carrying Amount**
Financial assets						
Monetary items						
USD	$ 31,546	30.715	$ 968,935	$ 30,173	29.760	$ 897,948
VND	116,035,727	0.00120	139,243	118,097,344	0.00119	140,536
RMB	23,204	4.472	103,768	29,830	4.565	136,174
HKD	11,589	3.921	45,440	11,743	3.807	44,706
Non-monetary items						
Investment accounted for using equity method						
HKD	-	3.921	-	8,988	3.807	34,213
Financial liabilities						
Monetary items						
USD	74,466	30.715	2,287,223	46,661	29.760	1,388,631
VND	106,580,882	0.00120	127,897	86,860,774	0.00119	103,364
HKD	394	3.921	1,545	1,706	3.807	6,495

The Group is mainly exposed to USD, RMB, VND and HKD. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
VND	0.001304 (VND:NTD)	$ (44,436)	0.001340 (VND:NTD)	$ (9,740)
RMB	4.5600 (RMB:NTD)	25,733	4.5068 (RMB:NTD)	(22,608)
USD	30.1493 (USD:NTD)	(25,510)	30.4315 (USD:NTD)	1,487
HKD	3.8463 (HKD:NTD)	(20,662)	3.9048 (VND:NTD)	1
NTD	1 (NTD:NTD)	14,832	1 (NTD:NTD)	(38,707)
		$ (50,043)		$ (69,567)

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 5)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 7)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 8)

11) Information on investees. (Table 9)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal

business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 10)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Tables 6 and 8)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 6 and 8)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (Table 2)

e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Tables 1 and 8)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (Table 8)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are Production, Powder Coating and Construction.

a. Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2018	2017	2018	2017
Production	$ 11,811,377	$ 11,346,270	$ 2,013,727	$ 2,675,006
Powder coating	380,743	382,768	13,697	39,873
Construction	1,523,930	18,918	343,183	(40,534)
Total from continuing operations	$ 13,716,050	$ 11,747,956	2,370,607	2,674,345
Interest income			59,008	42,185
Other income and benefits			79,933	70,064
Net foreign exchange gain (loss)			(50,043)	(69,567)
Interest expenses			(184,753)	(98,741)
Other expenses and losses			(62,232)	(26,708)
Profit before income tax			$ 2,212,520	$ 2,591,578

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2018 and 2017.

Segment profit represented the profit before tax earned by each segment without interest income, grants revenue, share of profit of associates accounted for using the equity method, net foreign exchange gain (loss), interest expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and Vietnam.

The Group's revenue from continuing operations from external customers and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		**Non-current Assets**	
	Year Ended December 31		**December 31**	
	2018	**2017**	**2018**	**2017**
Taiwan	$ 2,977,368	$ 3,338,617	$ 2,454,638	$ 2,613,992
China	5,686,731	4,033,253	2,737,784	2,621,671
Vietnam	3,825,368	3,418,274	7,245,773	5,136,456
Others	1,226,583	957,812	1,160,261	1,182,145
	$13,716,050	$11,747,956	$13,598,456	$11,554,264

Non-current assets exclude deferred tax assets.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 3 and 5)	Ending Balance (Notes 4 and 5)	Actual Borrowing Amount (Notes 4 and 7)	Interest Rate	Nature of Financing (Note 6)	Business Transaction Amounts	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
1	Paiho Int'L Limited	Vietnam Paiho Limited	Receivables from related parties	Y	$ 243,880 (USD 8,250)	$ 222,684 (USD 7,250)	$ 222,684 (USD 7,250)	2.3%	Necessary for long-term financing.	$ -	Operating capital	$ -	-	$ -	$ 2,232,374	$ 2,232,374
		Pt. Paiho Indonesia	Receivables from related parties	Y	159,780 (USD 5,000)	153,575 (USD 5,000)	153,575 (USD 5,000)	2.3%	Necessary for long-term financing.	-	Operating capital	-	-	-	552,870	2,232,374
		Zhong Yuan Xing Ye Company Ltd.	Receivables from related parties	Y	30,205 (USD 1,000)	-	-	2.3%	Necessary for long-term financing.	-	Operating capital	-	-	-	115,488	2,232,374
2	Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	Receivables from related parties	Y	607,200 (USD 20,000)	641,300 (USD 20,000)	614,300 (USD 20,000)	3-Month LIBOR Rate, based on U.S. Dollar, plus 1.28% and 2%-4%	Necessary for short-term financing.	-	Operating capital	-	-	-	1,919,623	1,919,623
		Hon Shin Corp.	Receivables from related parties	Y	306,200 (USD 10,000)	-	-	3.2%		-	Operating capital	-	-	-	1,919,623	1,919,623
3	Dongguan Paihong Industry Co., Ltd	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Y	679,880 (RMB 150,000)	670,800 (RMB 150,000)	491,920 (RMB 110,000)	4%-4.7%	Necessary for short-term financing.	-	Operating capital	-	-	-	1,101,432	1,101,432
4	Wuxi Paiho Textile Co., Limited	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Y	639,439 (RMB 140,000)	626,080 (RMB 140,000)	603,720 (RMB 135,000)	4%-4.7%	Necessary for short-term financing.	-	Operating capital	-	-	-	626,080	2,336,651
		Dongguan Paihong Industry Co., Ltd	Receivables from related parties	Y	137,160 (RMB 30,000)	-	-	4%-4.7%	Necessary for short-term financing.	-	Operating capital	-	-	-	798,464	2,336,651
5	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivables from related parties	Y	469,910 (USD 15,250)	468,404 (USD 15,250)	314,829 (USD 10,250)	3-Month LIBOR Rate, based on U.S. Dollar, plus 1.28% and 2.25%-4.2%	Necessary for long-term and financing.	-	Operating capital	-	-	-	640,253	640,253

Note 1: The amount for lending to a company shall not exceed the maximum of borrowers' paid-in capital and net worth, except that lending to foreign companies whose voting shares are 100% owned, directly or indirectly, by lender or the Corporation shall not exceed 50% of borrowers' paid-in capital. The financing limit for each borrower shall not exceed aggregated financing limits.

Note 2: The total amount for lending shall not exceed 40% of the net worth of lender.

Note 3: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 4: The ending balance and actual borrowing amount used are recorded at prevailing exchange rate on balance sheet date.

Note 5: The ending balance amount has been approved by the board of directors.

Note 6: The restriction that the term of each loan for funding should not exceed one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

Note 7: Significant intercompany accounts and transactions have been eliminated.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 5)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 6)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	The Corporation	Paiho Int'L Limited	1	$ 8,776,955	$ 238,914 (USD 7,800)	$ 92,145 (USD 3,000)	$ 46,073 (USD 1,500)	$ -	1.11%	$ 13,165,433	Y	-	-
		He Mei Xing Ye Company Ltd. (Note 4)	1	8,776,955	120,020 (USD 4,000)	61,430 (USD 2,000)	-	-	0.74%	13,165,433	Y	-	-
		Zhong Yuan Xing Ye Company Ltd.	1	8,776,955	274,995 (USD 9,000)	184,290 (USD 6,000)	-	-	2.21%	13,165,433	Y	-	-
		Pt. Paiho Indonesia	1	8,776,955	1,956,895 (USD 65,000)	1,535,750 (USD 50,000)	1,028,954 (USD 33,500)	-	18.43%	13,165,433	Y	-	-
1	Paiho Shih Holdings Corporation	Dongguan Paihong Industry Co., Ltd	1	4,799,058	336,770 (USD 11,000)	276,435 (USD 9,000)	61,430 (USD 2,000)	-	6.04%	7,198,587	-	-	Y
		Pai Lon International Trading Limited	1	4,799,058	120,690 (USD 4,000)	-	-	-	-	7,198,587	-	-	-
		Hon Shin Corp.	1	4,799,058	2,438,365 (USD 62,000) (EUR 16,000)	2,032,355 (USD 57,000) (EUR 8,000)	1,104,620 (USD 32,151) (EUR 3,326)	-	44.41%	7,198,587	-	-	-
		Vietnam Paihong Limited Company	1	4,799,058	3,232,950 (USD 107,000)	2,856,495 (USD 93,000)	1,965,760 (USD 64,000)	-	62.42%	7,198,587	-	-	-

Note 1: Holding more than 50% of the voting share directly or indirectly.

Note 2: The individual amount shall not exceed 100% of the net worth of the Corporation and Paiho Shih holdings corporation and the total amount shall not exceed total guarantee limit.

Note 3: The total amount of the guarantee shall not exceed 150% of the net worth of the Corporation and Paiho Shih holdings corporation.

Note 4: The guarantee is transferred to Vietnam Paiho Limited.

Note 5: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 6: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount (Note 1)	Percentage of Ownership	Fair Value (Note 1)	
Paiho Holdings Limited	Stock right Leader Elastic Limited	-	Financial assets at fair value through other comprehensive income - non-current	7,500,000	$ 31,644 (USD 1,030)	14%	$ 31,644 (USD 1,030)	

Note 1: Information on fair value is in Note 31.

Note 2: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

TABLE 4

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICE AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount (Note 2)
Paiho Shih Holdings Corporation	Capital stock	Investments accounted for using equity method	Hon Shin Corp.	Subsidiary	54,640,000	$ 1,551,154	15,360,000	$ 453,688	70,000,000	$ 1,600,633
Hon Shin Corp.	Stock right	Investments accounted for using equity method	Vietnam Paihong Limited Company	Subsidiary	-	1,281,455	-	747,761	-	1,756,299

Note 1: Including share of profit or loss of subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Foreign Currency)

Buyer	Property	Event Date	Transaction Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Vietnam Paiho Limited	Plant	2017.06.16-2018.01.22	VND 560,671,000	As for December 31,2018 VND512,500,750 has been paid	Cong Ty Cp Dau Tu Xay Dung Ricons	-	-	-	-	$ -	Refer to market price and set out by mutual agreement	Operating purpose	-
Wuxi Paihong Real Estate Co., Ltd.	Construction in Progress	2018.05.31	RMB 107,206	As for December 31, 2018 RMB56,680 has been paid	China Construction Dongfang Decoration Co., Ltd.	-	-	-	-	-	Refer to market price and set out by mutual agreement	Operating purpose	-
	Construction in Progress	2018.06.21	RMB 328,079	As for December 31, 2018 RMB17,880 has been paid	Zhe Jiang Baoye Construction Group Co., Ltd	-	-	-	-	-	Refer to market price and set out by mutual agreement	Operating purpose	-

Note : The amount of transactions are according to the contracts.

TABLE 6

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/Sale	Amount (Note 2)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% to Total
The Corporation	Vietnam Paiho Limited	Note 1	Sale	$ 471,217	(12%)	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	$ 29,372	5%
	Wuxi Paiho Textile Co., Limited	Note 1	Sale	190,199	(5%)	About 3 months	According to market price	About 3 months	39,592	6%
	Pai Lon International Trading Limited	Note 1	Sale	106,696	(3%)	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	3,811	1%
Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd	Note 1	Sale	416,452 (USD13,813)	(35%)	About 3 months	According to market price or acquisition cost of Pai Lon International Trading Limited plus 17%	About 3 months	56,362 (USD 1,835)	33%
	Wuxi Paiho Textile Co., Limited	Note 1	Sale	169,530 (USD 5,623)	(14%)	About 3 months	According to market price or acquisition cost of Pai Lon International Trading Limited plus 17%	About 3 months	28,735 (USD 936)	17%
	Paiho North America Corporation	Note 1	Sale Sale	128,225 (USD 4,253)	(11%)	About 3 months	According to market price	About 3 months	17,415 (USD 567)	10%
Wuxi Paiho Textile Co., Limited	Pai Lon International Trading Limited	Note 1	Sale	403,624 (RMB88,514)	(18%)	About 3 months	According to market price of sales price of Pai Lon International Trading Limited plus 88%	About 3 months	38,186 (RMB 8,539)	7%
Dongguan Paihong Industry Co., Ltd	Wuxi Paiho Textile Co., Limited	Note 1	Sale	147,984 (RMB32,453)	(6%)	About 3 months	According to market price	About 3 months	15,585 (RMB 3,485)	4%
Hon Shin Corp.	Vietnam Paihong Limited Company	Note 1	Sale	243,064 (USD 8,062)	(82%)	About 3 months	According to market price	About 3 months	505,785 (USD16,467)	98%

Note 1: See Note 13 to the consolidated financial statements.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Paiho Int'L Limited	Pt. Paiho Indonesia	Note 2	$ 153,810 (USD 5,008)	-	$ -	-	$ -	$ -
	Vietnam Paiho Limited	Note 2	222,684 (USD 7,250)	-	-	-	-	-
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	Note 2	619,831 (USD 20,180)	-	-	-	-	-
Dongguan Paihong Industry Co., Ltd	Wuxi Paihong Real Estate Co., Ltd.	Note 2	513,873 (RMB 114,909)	-	-	-	-	-
Wuxi Paiho Textile Co., Limited	Wuxi Paihong Real Estate Co., Ltd.	Note 2	628,884 (RMB 140,627)	-	-	-	299,664 (RMB 67,009)	-
Hon Shin Corp.	Vietnam Paihong Limited Company	Note 2	821,615 (USD 26,750)	0.33	-	-	-	-

Note 1: Including trade receivables, other receivables and receivables from related party.

Note 2: See Note 13 to the consolidated financial statements.

Note 3: Significant intercompany accounts and transactions have been eliminated.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	The Corporation	Wuxi Paiho Textile Co., Limited	1	Trade receivables	$ 39,592	About 3 months	-
		Vietnam Paiho Limited	1	Trade receivables	29,372	About 3 months	-
		Pai Lon International Trading Limited	1	Trade receivables	3,811	About 3 months	-
		Zhong Yuan Xing Ye Company Ltd.	1	Trade receivables	1,863	About 3 months	-
		Vietnam Paiho Limited	1	Other receivables	66,157	-	-
		Dongguan Paiho Power Coating Co., Ltd.	1	Other receivables	1,642	-	-
		China Star International Limited	1	Other receivables	1,261	-	-
		Vietnam Paiho Limited	1	Trade payables	3,708	About 3 months	-
		Pai Lon International Trading Limited	1	Trade payables	3,113	About 3 months	-
		Vietnam Paiho Limited	1	Temporary receipts	39,546	-	-
		Pai Lon International Trading Limited	1	Temporary receipts	6,978	-	-
		Vietnam Paiho Limited	1	Operating revenue	471,217	About 3 months	3
		Wuxi Paiho Textile Co., Limited	1	Operating revenue	190,199	About 3 months	1
		Pai Lon International Trading Limited	1	Operating revenue	106,696	About 3 months	1
		Zhong Yuan Xing Ye Company Ltd.	1	Operating revenue	42,401	About 3 months	-
		Paiho North America Corporation	1	Operating revenue	22,194	About 3 months	-
		Dongguan Paihong Industry Co., Ltd	1	Operating revenue	12,529	About 3 months	-
		Vietnam Paiho Limited	1	Operating cost	53,618	About 3 months	-
		Pai Lon International Trading Limited	1	Operating cost	22,668	About 3 months	-
		Zhong Yuan Xing Ye Company Ltd	1	Operating cost	(2,865)	About 3 months	-
		Spring Rich Limited	1	Operating cost	1,276	About 3 months	-
		Zhong Yuan Xing Ye Company Ltd	1	Other revenue	6,515	-	-
		Vietnam Paiho Limited	1	Other revenue	3,130	-	-
		Pai Lon International Trading Limited	1	Other revenue	1,835	-	-
		Paiho North America Corporation	1	Other revenue	1,282	-	-
1	Paiho Int'L Limited	Vietnam Paiho Limited	1	Receivables - related parties.	USD 7,250	-	1
		Pt. Paiho Indonesia	3	Receivables - related parties.	USD 5,008	-	1
		Dongguan Paiho Powder Coating Co., Ltd.	3	Other receivables	USD 438	-	-
		China Star International Limited	3	Other receivables	USD 97	-	-
		Vietnam Paiho Limited	1	Temporary receipts	USD 821	-	-
		Vietnam Paiho Limited	1	Interest revenue	USD 133	-	-

(Continued)

No.	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
1		Pt. Paiho Indonesia	3	Interest revenue	USD 92	-	-
		Wuxi Paisem Chemical Fibre Co., Ltd.	3	Other revenue	USD 120	-	-
2	Dongguan Paiho Textile Limited	Dongguan Paihong Industry Co., Ltd	3	Rent revenue	RMB 960	-	-
3	Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd	3	Trade receivables	USD 1,835	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Trade receivables	USD 936	About 3 months	-
		Paiho North America Corporation	3	Trade receivables	USD 567	About 3 months	-
		Vietnam Paiho Limited	3	Trade receivables	USD 295	About 3 months	-
		Hon Shin Corp.	3	Other receivable	USD 201	-	-
		Wuxi Paiho Textile Co., Limited	3	Trade payables	USD 1,240	About 3 months	-
		Dongguan Paihong Industry Co., Ltd	3	Trade payables	USD 201	About 3 months	-
		Dongguan Paihong Industry Co., Ltd	3	Temporary receipts	USD 8,776	-	1
		Dongguan Paihong Industry Co., Ltd	3	Operating revenue	USD 13,813	About 3 months	3
		Wuxi Paiho Textile Co., Limited	3	Operating revenue	USD 5,623	About 3 months	1
		Paiho North America Corporation	3	Operating revenue	USD 4,253	About 3 months	1
		Vietnam Paiho Limited	3	Operating revenue	USD 2,557	About 3 months	1
		Hon Shin Corp.	3	Operating revenue	USD 166	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Operating cost	USD 13,347	About 3 months	3
		Dongguan Paihong Industry Co., Ltd	3	Operating cost	USD 2,410	About 3 months	1
4	Wuxi Paisem Chemical Fibre Co., Ltd.	Wuxi Paiho Textile Co., Limited	3	Other receivables	RMB 580	-	-
5	Wuxi Paiho Textile Co., Limited	Dongguan Paihong Industry Co., Ltd	1	Trade payables	RMB 884	About 3 months	-
		Wuxi Paihong Real Estate Co., Ltd.	1	Receivables - related parties.	RMB135,000	-	2
		Wuxi Paihong Real Estate Co., Ltd.	1	Other receivables	RMB 5,627	-	-
		Dongguan Paihong Industry Co., Ltd	1	Other receivables	RMB 1,188	-	-
		Dongguan Paihong Industry Co., Ltd	1	Trade payables	RMB 3,485	About 3 months	-
		Dongguan Paihong Industry Co., Ltd	1	Operating revenue	RMB 4,154	About 3 months	-
		Dongguan Paihong Industry Co., Ltd	1	Operating cost	RMB32,453	About 3 months	1
		Wuxi Paihong Real Estate Co., Ltd.	1	Interest revenue	RMB 5,300	-	-
		Dongguan Paihong Industry Co., Ltd	1	Interest revenue	RMB 1,121	-	-
6	Dongguan Paihong Industry Co., Ltd	Pt. Paiho Indonesia	3	Trade receivables	RMB 3,353	About 3 months	-
		Wuxi Paihong Real Estate Co., Ltd.	3	Receivables - related parties.	RMB110,000	-	2
		Wuxi Paihong Real Estate Co., Ltd.	3	Other receivables	RMB 4,909	-	-
		Pt. Paiho Indonesia	3	Operating revenue	RMB11,017	About 3 months	-
		Wuxi Paihong Real Estate Co., Ltd.	3	Interest revenue	RMB 4,631	-	-
7	China Star International Limited	Dongguan Paiho Powder Coating Co., Ltd.	1	Other loss	RMB 622	-	-
8	Zhong Yuan Xing Ye Company Ltd.	Pt. Paiho Indonesia	3	Trade receivables	USD 649	About 3 months	-
		Paiho Int'L Limited	2	Other receivables	USD 210	-	-
		Pt. Paiho Indonesia	3	Operating revenue	USD 3,008	About 3 months	1
		Pt. Paiho Indonesia	3	Operating cost	USD 853	About 3 months	-

(Continued)

No.	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
9	Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	1	Receivables - related parties.	USD 20,000	-	2
		Hon Shin Corp.	1	Other receivables	USD 180	-	-
		Vietnam Paihong Limited Company	1	Other receivables	USD 180	-	-
		Vietnam Paihong Limited Company	1	Interest revenue	USD 186	-	-
		Pai Lon International Trading Limited	1	Other revenue	USD 1,500	-	-
		Hon Shin Corp.	1	Other revenue	USD 1,500	-	-
10	Hon Shin Corp.	Vietnam Paihong Limited Company	1	Trade receivables	USD 16,467	About 3 months	2
		Vietnam Paihong Limited Company	1	Receivables - related parties.	USD 10,250	-	1
		Vietnam Paihong Limited Company	1	Other receivables	USD 33	-	-
		Vietnam Paihong Limited Company	1	Trade payables	USD 89	About 3 months	-
		Vietnam Paihong Limited Company	1	Operating revenue	USD 8,062	About 3 months	2
		Vietnam Paihong Limited Company	1	Operating cost	USD 1,088	About 3 months	-
		Vietnam Paihong Limited Company	1	Interest revenue	USD 132	-	-
11	Vietnam Paiho Limited	Pt. Paiho Indonesia	3	Operating revenue	USD 67	About 3 months	-
		Pt. Paiho Indonesia	3	Cost of goods sold	USD 130	About 3 months	-

(Concluded)

Note 1: Relationship of investee to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: Unrealized gains from Wuxi Paiho Textile Co., Limited and Dongguan Paihong Industry Co., Ltd ($49,230 thousand and $8,013 thousand) have been eliminated.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company (Note 3)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%	Carrying Amount			
The Corporation	Paiho Int'L Limited	British Virgin Islands	International investment	$ 1,107,261	$ 1,107,261	33,368,564	100%	$ 5,654,143	$ 688,814	$ 711,493	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International Investment	876,863	876,863	26,505,685	100%	928,162	40,054	41,076	Subsidiary
	Pt. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	329,916	(38,705)	(38,318)	Subsidiary
	Paiho North America Corporation	California	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	216,056	(14,501)	(14,501)	Subsidiary
	Spring Rich Limited	Taiwan Changhua	Extra processing of webbings	3,000	3,000	-	100%	4,756	263	263	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City of Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	246,620	246,620	-	33%	1,102,472	879,766	290,428	Sub-subsidiary
Paiho Int'L Limited	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	150,585,552	52%	2,511,333	317,765	Note 1	Sub-subsidiary
	He Mei Xing Ye Company Ltd.	British Samoa	International investment	USD 16,263	USD 16,263	16,262,840	100%	2,260,096	589,694	Note 1	Sub-subsidiary
	Zhong Yuan Xing Ye Company Ltd.	British Samoa	International trading	USD 3,760	USD 1,760	3,760,000	100%	29,976	(27,612)	Note 1	Sub-subsidiary
	Pt. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics.	USD 180	USD 180	1,800	1%	3,332	(38,705)	Note 1	Subsidiary
He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Ho Chi Minh City of Vietnam	Manufacture and extra processing on elastics and various type of webbings	546,856	546,856	-	67%	2,260,095	879,766	Note 1	Sub-subsidiary
Paiho Shih Holdings Corporation	Hong Kong Antex Limited	Hong Kong	International investment	USD 54,335	USD 54,335	54,334,644	100%	6,104,672	822,269	Note 1	Sub-subsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD 1,791	USD 1,791	1,500,000	100%	(98,028)	(60,370)	Note 1	Sub-subsidiary
	Hon Shin Corp.	British Samoa	International investment	USD 70,000	USD 54,640	70,000,000	100%	1,600,633	(432,005)	Note 1	Sub-subsidiary
Paiho Group Inc.	Paiho Holdings Limited	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	929,777	40,054	Note 1	Sub-subsidiary
Paiho Holdings Limited	Braits Company Limited	British Virgin Islands	International investment	562,498	562,498	16,601,385	100%	472,060	26,828	Note 1	Sub-subsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong Province, Vietnam	Production & marketing of mesh and other fabrics	USD 70,000	USD 45,000	-	100%	1,756,299	(295,661)	Note 1	Sub-subsidiary

Note 1: Not applicable.

Note 2: Information on investment in mainland China, please see Table 9.

Note 3: Significant intercompany accounts and transactions have been eliminated except Leader Elastic Limited.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company (Note 1)	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5 and 6)	Carrying Amount as of December 31, 2017 (Notes 5 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Dongguan Paiho Textile Limited	Production & marketing of touch fasteners, elastics, various type of webbings and computerizes embroidery	$ 154,154 (RMB 34,471)	(Note 1)	$ -	$ -	$ -	$ -	$ (4,039)	100%	$ (4,039)	$ 166,395	$ 1,214,739
Wuxi Paiho Textile Co., Limited	Processing of touch fastener, webbing and embroidery	1,719,897 (RMB 384,592)	(Note 1)	985,180	-	-	985,180	825,077	55%	453,011	3,319,780	197,463
China Star International Limited	Production & marketing of powder coating	184,220 (RMB 41,194)	(Note 1)	201,922	-	-	201,922	14,094	100%	14,094	361,147	268,958
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	184,014 (RMB 41,148)	(Note 1)	35,720	-	-	35,720	15,891	100%	15,891	235,409	33,377
Wuxi Paisem Chemical Fibre Co., Ltd.	Production & marketing of chemical fiber	591,140 (RMB 132,187)	(Note 1)	564,691	-	-	564,691	26,828	100%	26,828	472,060	-
Dongguan Paihong Industry Co., Ltd	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	1,596,928 (RMB 357,095)	(Note 1)	141,664	-	-	141,664	310,822	54%	163,219	1,465,395	132,054
Wuxi Paihong Real Estate Co., Ltd.	Commercial property management; planning consultants, sales & leasing of real estate and design decoration.	1,252,160 (RMB 280,000)	(Note 1)	(Note 2)	-	-	-	250,428	55%	134,253	765,372	-
Wuxi Paiwei Biotechnology Co. Ltd	Production and sales of masks and non-woven products; self - operation & agent the import & export of varied goods and technology	89,440 (RMB 20,000)	(Note 1)	(Note 2)	-	-	-	(6,817)	55%	(3,704)	45,429	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 575,316	$ 839,011 (USD 27,316)	No maximum limitation (Note 3)

Note 1: See Note 13 to the consolidated financial statements

Note 2: Invested by Wuxi Paiho Textile Co., Limited.

Note 3: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the investment in mainland China has no maximum limit since the Corporation had acquired the IDB approval of the Corporation's establishment of an operating headquarter in Taiwan.

Note 4: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

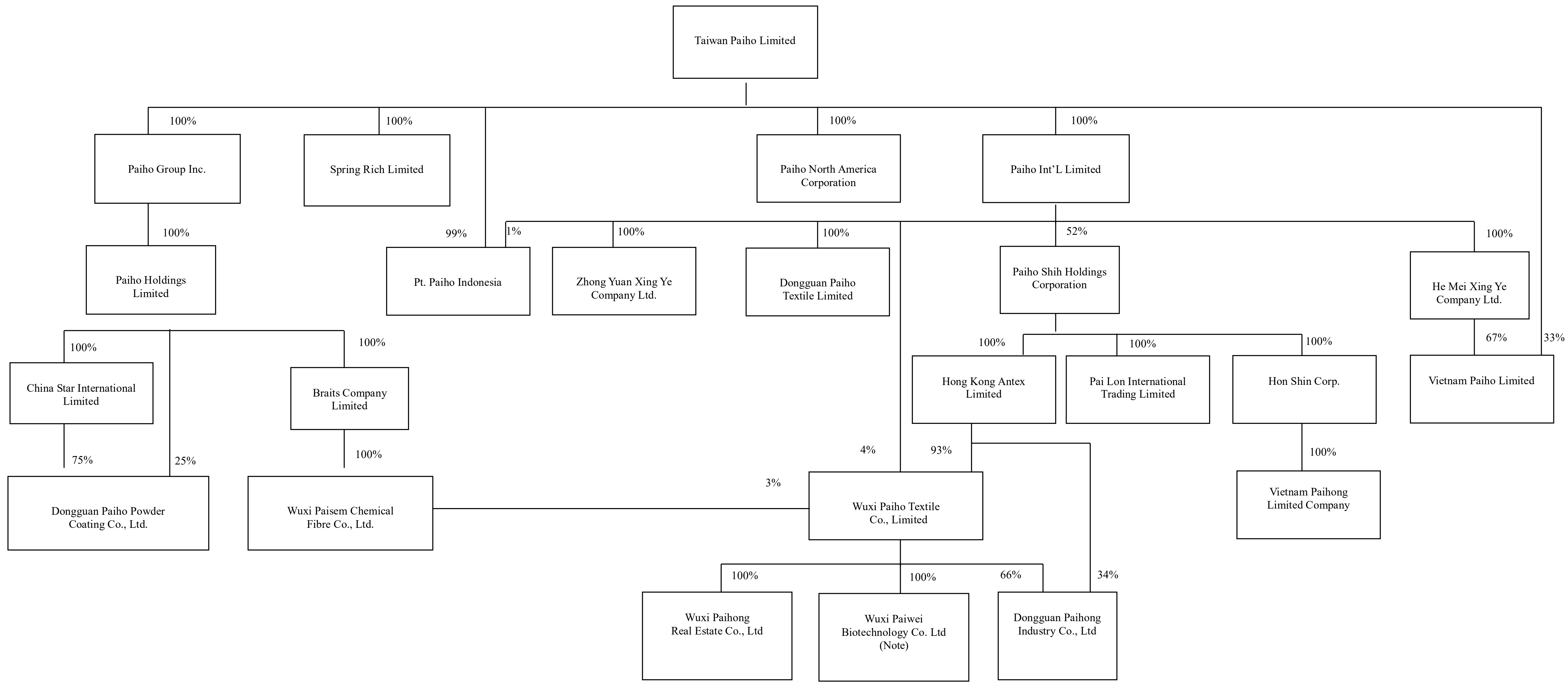
Note 5: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

Note 6: Significant intercompany accounts and transactions have been eliminated.

TABLE 11

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

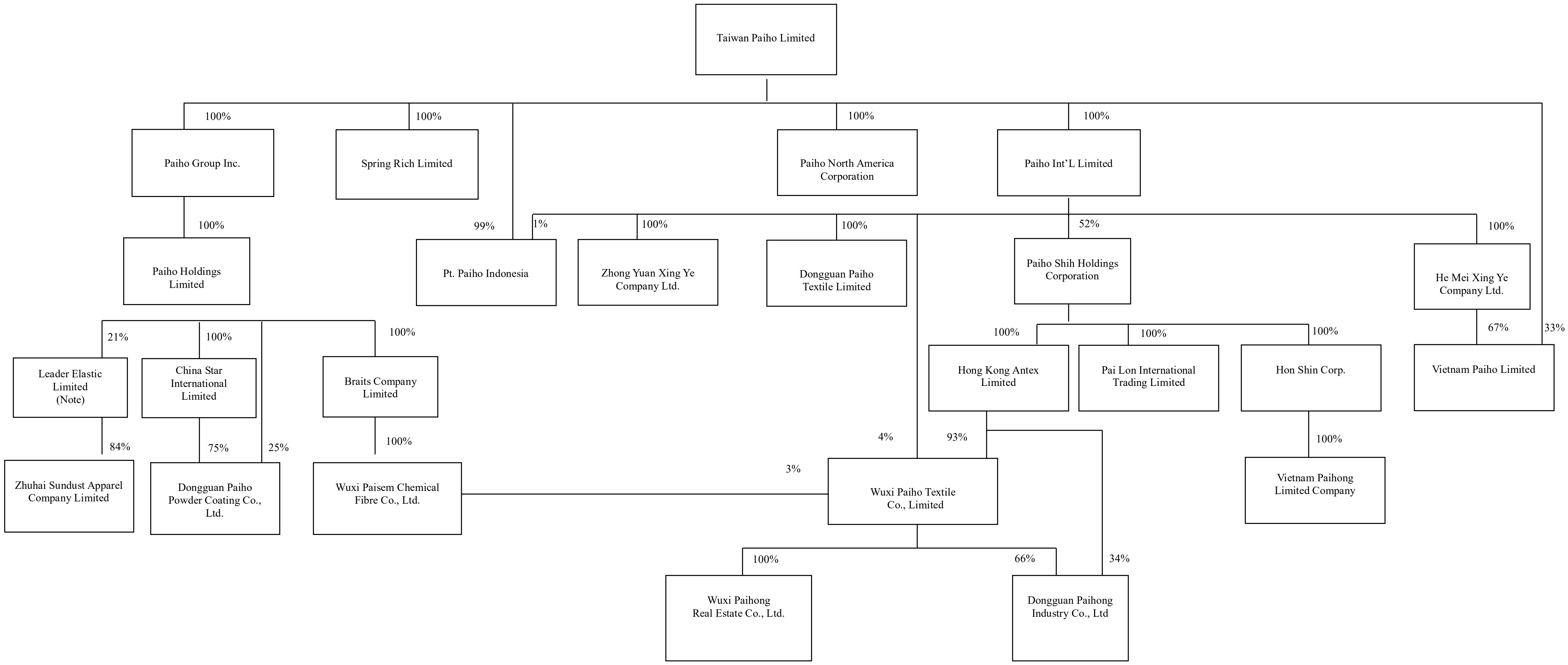
INVESTMENT STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2018



Note: Wuxi Paiho Textile Co., Limited invested in Wuxi Paiwei Biotechnology Co., Ltd. in January 2018.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INVESTMENT STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2017



Note: In June, 2018, the Group did not subscribe for additional new shares of Leader Elastic Limited, reducing its continuing interest to 14%, and ceasing to have significant influence.

6.5 Financial Statements and Independent Auditors' Report in the Recent Year

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Paiho Limited

Opinion

We have audited the accompanying financial statements of Taiwan Paiho Limited (the Corporation), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's financial statements for the year ended December 31, 2018 are as follows:

Estimated impairment of trade receivables

As of December 31, 2018, the Corporation's total trade receivables, in New Taiwan dollars ("NT$"), were NT$501,792 thousand (after deducting allowance for doubtful trade receivables NT$32,358 thousand). Refer to Notes 4, 5 and 9 to the accompanying financial statements for the related disclosures.

Allowance for doubtful trade receivables is provided based on the assessed recoverability of the receivables. Since the provision for doubtful accounts and the recoverability of receivables are subject to the management's judgment and estimations in which uncertainty is involved, the impairment assessment of trade receivables is identified as a key audit matter.

Our key audit procedures performed in respect of the abovementioned impairment assessment included the following:

1. We understood the Corporation's policy on the impairment assessment of receivables; and then sampled and verified the accuracy of the aging of amounts due at the balance sheet date.

2. We reviewed the historical payments and the recoverability of receivables to check that the provision has been arrived at rationally.

3. We tested related internal controls over receivables to check that the controls have been executed effectively.

Valuation of manufacturing inventory

As of December 31, 2018, the Corporation's manufacturing inventory was NT$420,133 thousand. Refer to Notes 4, 5 and 10 to the financial statements for the related disclosures. Manufacturing inventory is stated at the lower of cost or net realizable value. Estimation of net realizable value is subject to judgment. As a result, valuation of manufacturing inventory is identified as a key audit matter.

Our key audit procedures performed in respect of the valuation of manufacturing inventory included the following:

1. We assessed the related internal controls in the valuation of inventory to check that the controls have been designed and operated effectively; we tested sample items in the inventory aging report to verify the accuracy of the data.

2. We assessed the reasonableness of the assumptions in the calculation of the net realizable value.

3. We evaluated the condition of inventory for obsolete and damaged stock during our observation of inventory counts.

Other Matter

We did not audit the financial statements of Pt. Paiho Indonesia for the year ended December 31, 2017, an investment accounted for using the equity method included in the financial statements, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for Pt. Paiho Indonesia, is based solely on the report of other auditors. The investment in Pt. Paiho Indonesia was $361,287 thousand, which constituted 3% of total assets as of December 31, 2017, and investment loss was $27,797 thousand, which constituted (2%) of total comprehensive income in 2017.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Hsiao-Fang Yen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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

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

TAIWAN PAIHO LIMITED

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 187,848	2	$ 164,860	2
Debt investments with no active market - current (Notes 4, 6, 8 and 25)	-	-	1,150	-
Notes receivable (Note 4)	114,006	1	136,416	1
Trade receivables (Notes 4, 5, 9 and 24)	501,792	4	485,162	4
Other receivables (Note 24)	69,229	1	5,723	-
Inventories - manufacturing (Notes 4, 5 and 10)	420,133	3	393,639	4
Other current assets (Note 13)	29,680	-	30,217	-
Total current assets	1,322,688	11	1,217,167	11
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7 and 25)	7,150	-	-	-
Investments accounted for using the equity method (Notes 4, 11 and 24)	8,235,505	68	7,420,908	65
Property, plant and equipment (Notes 4, 12, 24 and 25)	2,326,265	19	2,489,848	22
Deferred tax assets (Notes 4 and 19)	77,300	1	75,471	1
Prepayments for machinery and equipment	92,968	1	96,014	1
Other non-current assets (Note 13)	20,298	-	20,053	-
Total non-current assets	10,759,486	89	10,102,294	89
TOTAL	$ 12,082,174	100	$ 11,319,461	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	$ 180,000	1	$ -	-
Notes payable	91,559	1	81,203	1
Trade payables (Note 24)	132,706	1	138,287	1
Other payables (Note 15)	325,972	3	346,272	3
Current tax liabilities (Notes 4 and 19)	77,287	1	179,984	2
Current portion of long-term borrowings (Notes 14 and 25)	214,680	2	19,680	-
Other current liabilities (Note 24)	59,294	-	31,106	-
Total current liabilities	1,081,498	9	796,532	7
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 14 and 25)	1,271,180	10	1,335,340	12
Deferred tax liabilities (Notes 4 and 19)	800,569	7	707,182	6
Net defined benefit liabilities - non-current (Notes 4 and 16)	151,942	1	171,869	2
Guarantee deposits	30	-	30	-
Total non-current liabilities	2,223,721	18	2,214,421	20
Total liabilities	3,305,219	27	3,010,953	27
EQUITY				
Common stock	2,979,639	25	2,979,639	26
Capital surplus	727,880	6	727,745	6
Retained earnings				
Legal reserve	1,199,378	10	1,037,400	9
Special reserve	232,031	2	209,623	2
Unappropriated earnings	3,868,757	32	3,586,132	32
Other equity	(230,730)	(2)	(232,031)	(2)
Total equity	8,776,955	73	8,308,508	73
TOTAL	$ 12,082,174	100	$ 11,319,461	100

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

TAIWAN PAIHO LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
SALES (Notes 4 and 24)	$ 3,822,629	100	$ 4,329,433	100
COST OF GOODS SOLD (Notes 10, 18 and 24)	2,643,170	69	2,790,780	64
GROSS PROFIT	1,179,459	31	1,538,653	36
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	18,251	-	(40,499)	(1)
REALIZED GROSS PROFIT	1,197,710	31	1,498,154	35
OPERATING EXPENSES (Notes 18 and 24)				
Selling and marketing expenses	270,055	7	274,154	6
General and administrative expenses	104,779	3	92,034	2
Research and development expenses	149,380	4	125,503	3
Expected credit loss	9,755	-	-	-
Total operating expenses	533,969	14	491,691	11
PROFIT FROM OPERATIONS	663,741	17	1,006,463	24
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 4)	990,441	26	1,044,891	24
Interest income (Note 4)	598	-	501	-
Other income (Note 24)	26,379	1	15,391	-
Gain (loss) on disposal of property, plant and equipment	2,288	-	(546)	-
Interest expense (Notes 4 and 18)	(20,875)	-	(15,102)	-
Other expenses (Note 18)	(3,143)	-	(793)	-
Net foreign exchange gain (loss) (Notes 4 and 18)	14,832	-	(38,707)	(1)
Total non-operating income and expenses	1,010,520	27	1,005,635	23
PROFIT BEFORE INCOME TAX	1,674,261	44	2,012,098	47
INCOME TAX EXPENSE (Notes 4 and 19)	313,955	8	392,316	9
NET PROFIT FOR THE YEAR	1,360,306	36	1,619,782	38

(Continued)

TAIWAN PAIHO LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 16)	$ (10)	-	$ (6,540)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(62)	-	693	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	1,459	-	1,112	-
	1,387	-	(4,735)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(595)	-	(288,062)	(7)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	1,106	-	48,970	1
	511	-	(239,092)	(6)
Other comprehensive income (loss) for the year, net of income tax	1,898	-	(243,827)	(6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,362,204	36	$ 1,375,955	32
EARNINGS PER SHARE (Note 20)				
Basic	$ 4.57		$ 5.44	
Diluted	$ 4.56		$ 5.43	

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

(With Deloitte & Touche auditors' report dated March 14, 2019) (Concluded)

TAIWAN PAIHO LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

		Capital Surplus (Note 17)			Retained Earnings (Note 17)			Other Equity (Notes 4 and 17)		
	Common Stock (Note 17)	Additional Paid-in Capital	Difference Between Consideration Received or paid and the Carrying Amount of The Subsidiaries' net Assets During Actual Disposal or Acquisition	Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2017	$ 2,979,639	$ 615,831	$ 111,914	$ -	$ 888,363	$ 209,623	$ 3,014,014	$ 7,061	$ -	$ 7,826,445
Appropriation of 2016 earnings										
Legal reserve	-	-	-	-	149,037	-	(149,037)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(893,892)	-	-	(893,892)
	-	-	-	-	149,037	-	(1,042,929)	-	-	(893,892)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,619,782	-	-	1,619,782
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(4,735)	(239,092)	-	(243,827)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,615,047	(239,092)	-	1,375,955
BALANCE AT DECEMBER 31, 2017	2,979,639	615,831	111,914	-	1,037,400	209,623	3,586,132	(232,031)	-	8,308,508
Donation from shareholders	-	-	-	135	-	-	-	-	-	135
Appropriation of 2017 earnings										
Legal reserve	-	-	-	-	161,978	-	(161,978)	-	-	-
Special reserve	-	-	-	-	-	22,408	(22,408)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(893,892)	-	-	(893,892)
	-	-	-	-	161,978	22,408	(1,078,278)	-	-	(893,892)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,360,306	-	-	1,360,306
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	597	511	790	1,898
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	1,360,903	511	790	1,362,204
BALANCE AT DECEMBER 31, 2018	$ 2,979,639	$ 615,831	$ 111,914	$ 135	$ 1,199,378	$ 232,031	$ 3,868,757	$ (231,520)	$ 790	$ 8,776,955

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

(With Deloitte & Touche auditors' report dated March 14, 2019)

TAIWAN PAIHO LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,674,261	$ 2,012,098
Adjustments for :		
Depreciation expenses	253,239	236,196
Expected credit loss recognized on trade receivables	9,755	-
Impairment loss recognized on trade receivables	-	(6,498)
Interest expense	20,875	15,102
Interest income	(598)	(501)
Share of profit or loss of associates accounted for using the equity method	(990,441)	(1,044,891)
Loss (gain) on disposal of property, plant and equipment	(2,288)	546
Write-downs of inventories	(582)	4,302
Unrealized gain on the transactions with subsidiaries and associates	(18,251)	40,499
Unrealized foreign currency exchange loss (gain), net	(391)	1,607
Changes in operating assets and liabilities		
Notes receivable	22,410	(31,607)
Trade receivables	(26,497)	74,451
Other receivables	(63,038)	1,190
Inventories - manufacturing	(25,912)	(33,675)
Inventories - constructing	-	14,800
Other current assets	537	4,728
Notes payable	10,356	(14,717)
Trade payables	(5,581)	(4,924)
Other payables	(16,500)	33,172
Other current liabilities	28,223	(5,315)
Net defined benefit liabilities	(19,937)	(24,423)
Cash generated from operations	849,640	1,272,140
Interest received	598	501
Dividends received	193,438	516,529
Interest paid	(20,814)	(14,926)
Income taxes paid	(322,529)	(307,369)
Net cash generated from operating activities	700,333	1,466,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(6,000)	-
Purchase of debt investments with no active market	-	(150)
Net cash outflow on acquisition of subsidiaries	-	(246,620)
Payments for property, plant and equipment	(143,134)	(166,792)
Proceeds from disposal of property, plant and equipment	144,466	146
Increase in refundable deposits	(245)	(7,713)

(Continued)

TAIWAN PAIHO LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Increase in other non-current assets	-	(8,280)
Increase in prepayments for machinery and equipment	(89,515)	(76,780)
Net cash used in investing activities	(94,428)	(506,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	$ 180,000	$ (700,000)
Proceeds from long-term borrowings	150,520	1,497,660
Repayments of long-term borrowings	(19,680)	(964,220)
Dividends paid	(893,892)	(893,892)
Overdue dividends	135	-
Net cash used in financing activities	(582,917)	(1,060,452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,988	(99,766)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	164,860	264,626
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 187,848	$ 164,860

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

(With Deloitte & Touche auditors' report dated March 14, 2019) (Concluded)

1. GENERAL INFORMATION

Taiwan Paiho Limited (the "Corporation") was incorporated in January, 1985. It manufactures and sells touch fastener, webbings, elastic, easy tape and several types of fabrics; and it also sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

The shares of the Corporation have been listed on the Taiwan Stock Exchange (TWSE) since January, 2001.

The financial statements are presented in the Corporation's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation's board of directors on March 14, 2019.

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

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

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Corporation:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 164,860	$ 164,860	-
Pledged deposits with original maturities of less than 3 months	Debt investments with no active market	Amortized cost	1,150	1,150	(a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	627,301	627,301	(b)
Refundable deposits	Loans and receivables	Amortized cost	9,173	9,173	(b)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Remark
Amortized cost					
Add: Reclassification from debt investments with no active market (IAS 39)	$ -	$ 1,150	$ -	$ 1,150	(a)
Add: Reclassification from loans and receivables (IAS 39)	-	801,334	-	801,334	(b)
	$ -	$ 802,484	$ -	$ 802,484	

a) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

b) Notes receivable, trade receivables, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for lease that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Corporation will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Corporation as lessee

Upon initial application of IFRS 16, the Corporation will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Corporation anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Corporation will apply IAS 36 to all right-of-use assets.

The Corporation expects to apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The Corporation as lessor

The Corporation will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Other current assets	$ 194	$ (194)	$ -
Right-of-use assets	-	35,787	35,787
Total effect on assets	$ 194	$ 35,593	$ 35,787
Lease liabilities - current	$ -	$ 4,569	$ 4,569
Lease liabilities - non-current	-	31,024	31,024
Total effect on liabilities	$ -	$ 35,593	$ 35,593
Retained earnings	$ -	$ -	$ -
Total effect on equity	$ -	$ -	$ -

Except for the above impacts, as of the date the financial statements were authorized for issue, the Corporation assessed that the application of other standards and interpretations will not have significantly effect on the Corporation's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

The Corporation engages in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Corporation's construction - related assets and liabilities.

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting financial statements, the functional currencies of the Corporation and the other related entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the

New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

<u>Manufacturing</u>

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

f. Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Corporation.

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

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

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

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

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

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the

Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

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

g. Investment in associates

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

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Impairment loss forms part of carrying amount. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Corporation continues to apply the equity method and does not remeasure the retained interest.

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

h. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the asset's useful life, such assets is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

i. Impairment of tangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

b) Measurement categories

2018

Financial assets are classified into the following categories: financial assets at amortized cost.

Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

2017

Financial assets are classified into the following category: loans and receivables.

Loans and receivables (including cash and cash equivalents, debt investments with no active market, notes receivable and trade receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

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

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

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

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as trade receivables and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial assets at amortized cost in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are carried at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

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

k. Revenue recognition

<u>2018</u>

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

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

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location/ the goods are shipped/ the goods are picked up because it is the time when the customer has the right to use and bears the risks of goods. Trade receivables is recognized concurrently.

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

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Corporation and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate applicable.

l. Leasing

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Corporation uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation’s past history experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment of receivables, the Corporation takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31 2018	December 31 2017
Petty cash and cash on hand	$ 1,059	$ 921
Checking accounts and demand deposits	186,789	163,939
Cash equivalents (investments with original maturities of less than 3 months)	-	1,150
	187,848	166,010
Less: Pledged time deposits (classified as debt investments with no active market-current)	-	(1,150)
	$ 187,848	$ 164,860

Rate of interest per annum (%)	2018	2017
Cash in bank	0.00-0.48	0.00-0.35
Investments with original maturities of less than 3 months	-	0.77

7. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Non-current	
Time deposits with original maturities of more than 3 months	$ 7,150

Refer to Note 25 for information relating to investments in financial assets at amortized cost pledged as security.

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT - 2017

	December 31, 2017
Restricted deposit	$ 1,150

Refer to Note 25 for information relating to debt investments with no active market pledged as security.

9. TRADE RECEIVABLES

	December 31	
	2018	2017
At amortized cost		
Gross carrying amounts	$ 534,150	$ 507,765
Less: Allowance for impairment loss	(32,358)	(22,603)
	$ 501,792	$ 485,162

In 2018

The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Corporation uses publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry and the forecast direction of economic conditions at the reporting date. The Corporation distinguished the provision for loss allowance according to the Corporation's different customer base.

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

The following table details the loss allowance of trade receivables.

December 31, 2018

	0 to 90 Days	90 to 120 Days	121 to 150 Days	151 to 180 Days	Over 181 Days	Total
Expected credit loss rate	1-4%	10%	30%	50-80%	70-100%	-
Gross carrying amount	$ 485,064	$ 27,262	$ 4,573	$ 2,987	$ 14,264	$ 534,150
Loss allowance (Lifetime ECL)	(13,497)	(2,726)	(1,372)	(1,501)	(13,262)	(32,358)
Amortized cost	$ 471,567	$ 24,536	$ 3,201	$ 1,486	$ 1,002	$ 501,792

The movements of the allowance for doubtful trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 22,603
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	22,603
Add: Net remeasurement of loss allowance	9,755
Balance at December 31, 2018	$ 32,358

In 2017

The average credit period of sales of goods was 30 to 90 days. In determining the recoverability of a trade receivable, the Corporation considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of trade receivables was as follows:

	December 31 2017
0-90 days	$ 476,008
91- 120 days	17,195
121-150 days	4,209
151-180 days	7
More than 180 days	10,346
	$ 507,765

The above aging schedule was based on the number of past due days from the invoice date. There were no receivables that were past due but not impaired of the Corporation.

The movements of the allowance for doubtful receivables were as follows:

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 29,101
Less: Impairment loss reversed on receivables	(6,498)
Balance at December 31, 2017	$ 22,603

10. INVENTORIES

a. Manufacturing

	December 31	
	2018	2017
Finished goods	$ 173,352	$ 166,168
Work in process	58,994	55,060
Raw materials	140,582	134,467
Supplies	44,957	37,441
Inventory in transit	2,248	503
	$ 420,133	$ 393,639

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $2,643,170 thousand and $2,775,980 thousand, respectively. The cost of goods sold included inventory write-downs (reversal of inventory write-downs) of $(582) thousand and $4,302 thousand for the years ended December 31, 2018 and 2017, respectively. The reversals of previous write-downs in the year ended December 31, 2018 resulted from consumption of inventory.

b. Construction industry

The cost of inventories recognized as cost of real estate sold for the year ended December 31, 2017 was $14,800 thousand.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates		
Paiho Int'L Limited	$ 5,654,143	$ 5,014,267
Vietnam Paiho Limited	1,102,472	879,419
Paiho Group Inc.	928,162	941,138
Pt. Paiho Indonesia	329,916	357,674
Paiho North America Corporation	216,056	223,917
Spring Rich Limited	4,756	4,493
	$ 8,235,505	$ 7,420,908

(Continued)

	Proportion of Ownership and Voting Rights	
	December 31, 2018	December 31, 2017
Name of associate		
Paiho Int'L Limited	100%	100%
Vietnam Paiho Limited	33%	33%
Paiho Group Inc.	100%	100%
Pt. Paiho Indonesia	99%	99%
Paiho North America Corporation	100%	100%
Spring Rich Limited	100%	100%

(Concluded)

Refer to Tables 10 and 11 for the information on investee structure for the years ended December 31, 2018 and 2017. The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements for the same years which have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2018				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
Cost					
Land	$ 457,699	$ 23,812	$ (1,463)	$ 10,000	$ 490,048
Buildings	829,869	4,982	(2,387)	33,554	866,018
Machinery and equipment	1,661,996	19,486	(208,480)	70,921	1,543,923
Transportation equipment	14,830	-	(499)	13,897	28,228
Miscellaneous equipment	33,874	1,571	(587)	7,333	42,191
Construction in progress	180,181	89,422	-	(43,144)	226,459
Total cost	3,178,449	$ 139,273	$ (213,416)	$ 92,561	3,196,867
Accumulated depreciation and impairment					
Buildings	$ 175,547	$ 29,345	$ (2,388)	$ -	$ 202,504
Machinery and equipment	495,921	215,870	(68,041)	-	643,750
Transportation equipment	4,274	2,896	(222)	-	6,948
Miscellaneous equipment	12,859	5,128	(587)	-	17,400
Total accumulated deprecation	688,601	$ 253,239	$ (71,238)	$ -	870,602
Net property, plant and equipment	$ 2,489,848				$ 2,326,265

(Continued)

	For the Year Ended December 31, 2017				
	Beginning Balance	**Additions**	**Disposals**	**Reclassified Amount**	**Ending Balance**
Cost					
Land	$ 430,625	$ 17,894	$ -	$ 9,180	$ 457,699
Buildings	759,610	27,255	(1,001)	44,005	829,869
Machinery and equipment	1,470,579	18,570	(38,563)	211,410	1,661,996
Transportation equipment	20,037	983	(10,252)	4,062	14,830
Miscellaneous equipment	22,850	3,607	(457)	7,874	33,874
Construction in progress	155,710	92,382	-	(67,911)	180,181
Total cost	2,859,411	$ 160,691	$ (50,273)	$ 208,620	3,178,449
Accumulated depreciation and impairment					
Buildings	149,507	$ 27,041	$ (1,001)	$ -	175,547
Machinery and equipment	331,155	202,637	(37,871)	-	495,921
Transportation equipment	11,902	2,624	(10,252)	-	4,274
Miscellaneous equipment	9,422	3,894	(457)	-	12,859
Total accumulated deprecation	501,986	$ 236,196	$ (49,581)	$ -	688,601
Net property, plant and equipment	$ 2,357,425				$ 2,489,848

(Concluded)

The Corporation purchased land located in Hebei Section, Hemei Township, Changhua County with area of 55 square meters (classified as freehold land with carrying value of NT$264 thousand), located in Zhongxiao Section with area of 2,597 square meters (classified as freehold land with carrying value of $8,773 thousand), and located in Yuemei Section with area of 5,010 square meters (classified as freehold land with carrying value of NT$39,611 thousand); the parcels of land are registered as agricultural land in the name of third parties but certificates of rights and titles to the land are held by the Corporation.

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

Buildings	
Main buildings	5-55 years
Electrical power equipment	5-16 years
Engineering system	5-20 years
Other	3-7 years
Machinery and equipment	2-16 years
Transportation equipment	6-20 years
Miscellaneous equipment	2-35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 25.

13. OTHER ASSETS

	December 31 2018	December 31 2017
Current		
Tax overpayment offset with future tax payable	$ 23,817	$ 23,865
Prepayments	3,260	4,401
Prepaid expenses	2,368	1,722
Others	235	229
	$ 29,680	$ 30,217
Non-current		
Refundable deposit	$ 9,418	$ 9,173
Others	10,880	10,880
	$ 20,298	$ 20,053

14. BORROWINGS

a. Short-term borrowings

	December 31 2018	December 31 2017
Line of credit borrowings	$ 180,000	$ -
Rate of interest per annum (%)	1.00	-

b. Long-term borrowings

	December 31 2018	December 31 2017
Secured loans - due in November 2020 - June 2022	$ 1,335,860	$ 1,355,020
Unsecured loans - due in September 2020 - December 2020	150,000	-
	1,485,860	1,355,020
Less: Current portions	(214,680)	(19,680)
Long-term borrowings	$ 1,271,180	$ 1,335,340
Rate of interest per annum (%)		
Secured loans	1.09-1.79	1.09-1.79
Unsecured loans	0.79-0.95	-

Refer to Note 25 for the details of long-term borrowings secured by the Corporation's assets.

In December, 2016, the Corporation obtain a syndicated loan from Bank of Taiwan and multiple financial institutions in the amount of NT$1,300 million. Fundation from the syndicated loan was used to repay the bank loan and broaden the Corporation's working capital. Pursuant to the syndicated loan agreement, the Corporation required to maintain certain financial ratios as follows:

1) Current ratio (current assets ÷ current liabilities): Not less than 100%;

2) Debt to equity ratio (total liabilities ÷ net tangible assets): Not higher than 150%;

3) Interest protection multiples (profit before income tax + interest expense, depreciation and amortization ÷ interest expense): Not less than 4 times and;

4) Net tangible assets (total equity minus tangible assets): Not less than $5 billion.

Furthermore, the Corporation cannot dispose any material assets or rights, repurchase stocks, and reduce capital without the contractual arrangements between most of the bank.

15. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries or bonuses	$ 149,970	$ 162,211
Payables for compensation to employees and remuneration to directors	67,363	73,618
Payable for annual leave	14,783	14,468
Payables for purchases of building and equipment	3,491	7,352
Others	90,365	88,623
	$ 325,972	$ 346,272

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute amounts equal to 2%, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 331,523	$ 328,700
Fair value of plan assets	(179,581)	(156,831)
Net defined benefit liabilities	$ 151,942	$ 171,869

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2017	$ 323,369	$ (133,617)	$ 189,752
Service cost			
Current service cost	3,610	-	3,610
Net interest expense (income)	3,915	(1,566)	2,349
Recognized in profit or loss	7,525	(1,566)	5,959
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	171	171
Actuarial loss - changes in demographic assumptions	21	-	21
Actuarial loss - experience adjustments	6,348	-	6,348
Recognized in other comprehensive income	6,369	171	6,540
Contributions from the employer	$ -	$ (30,382)	$ (30,382)
Benefits paid	(8,563)	8,563	-
Balance at December 31, 2017	328,700	(156,831)	171,869
Service cost			
Current service cost	3,146	-	3,146
Net interest expense (income)	4,051	(1,926)	2,125
Recognized in profit or loss	7,197	(1,926)	5,271

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (4,333)	$ (4,333)
Actuarial loss - changes in demographic assumptions	260	-	260
Actuarial loss - changes in financial assumptions	8,882	-	8,882
Actuarial gain - experience adjustments	(4,799)	-	(4,799)
Recognized in other comprehensive income	4,343	(4,333)	10
Contributions from the employer	-	(25,208)	(25,208)
Benefits paid	(8,717)	8,717	-
Balance at December 31, 2018	$ 331,523	$ (179,581)	$ 151,942

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	2017
Discount rates	1.00%	1.25%
Expected rates of salary increase	2.00%	2.00%

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

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (8,893)	$ (9,087)
0.25% decrease	$ 9,276	$ 9,487
Expected rate of salary increase		
0.25% increase	$ 8,870	$ 9,067
0.25% decrease	$ (8,547)	$ (8,728)

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

	December 31	
	2018	**2017**
Expected contributions to the plan for the next year	$ 3,562	$ 3,715
Average duration of the defined benefit obligation	10 years	11 years

17. EQUITY

a. Common stock

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	380,000	380,000
Shares authorized	$ 3,800,000	$ 3,800,000
Number of shares issued and fully paid (in thousands)	297,964	297,964
Shares issued	$ 2,979,639	$ 2,979,639

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

b. Capital surplus

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Articles of Incorporation (Articles), when the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders.

According to the Articles amended by the Corporation’s board of directors as the basis on March 14, 2019, when the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation’s board of directors as the basis for proposing a distribution plan, and when distributing by issuing new shares, it should be resolved in the shareholders’ meeting for the distribution of new shares to shareholders.

According to the Company Act, the dividends and bonuses could be distributed in the whole or in part, from legal reserves and capital surplus by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders’ meeting. The amended Articles will be effective after a resolution has been adopted by the shareholders in their meeting to be held on June 13, 2019.

For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors after the amendment, refer to c. Employees’ compensation and remuneration of directors and supervisors in Note 18-C.

The Corporation’s dividend policy is in line with the overall environment and the maturity of the industry, and considers the future expansion of operations, capital requirements and the impact of the tax system on the Corporation and its shareholders. The Corporation will adjust dividend distribution according to the profitability. To maintain a stable growth in earnings per share, the dividend distribution ratio of the shareholders shall be not less than the current year's earnings after payment of tax, deduction to make up for the previous year's losses, appropriation for legal reserve, and deduction of 25% of the balance of other undistributed earnings in the current year. Total amount of dividends shall be distributed at the ratio of not less than 15% cash dividends and the remaining as stock dividends.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 which have been approved in the shareholders' meetings in June, 2018 and 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 161,978	$ 149,037		
Special reserve	22,408	-		
Cash dividends	893,892	893,892	$ 3	$ 3

The appropriation of earnings for 2018 had been proposed by the Corporation's board of directors on March 14, 2019. The appropriations were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 136,031	
Special reserve	(1,301)	
Cash dividends	774,706	$ 2.6

The appropriation of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 13, 2019.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation transferred accumulated exchange differences on translating the financial statements of foreign operations of $246,690 thousand to retained earnings, and at the same time, appropriated the same amount as special reserve.

A proportionate share of the special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Corporation) will be reversed on the disposal of foreign operations. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

18. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest expense - Information about capitalized interest

	For the Year Ended December 31	
	2018	**2017**
Capitalized interest	$ 5,046	$ 3,737
Capitalization rates (%)	1.79	1.43

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses and Non-operating Expenses	Total
For the Year Ended December 31, 2018			
Short-term employee benefits			
Salaries	$ 398,284	$ 217,438	$ 615,722
Insurance	31,258	19,198	50,456
Remuneration of directors	-	18,339	18,339
Post-employment benefits			
Defined contribution plans	11,309	7,174	18,483
Defined benefit plans (Note 16)	2,282	2,989	5,271
Other employee benefits	12,032	7,289	19,321
Depreciation expenses	194,120	59,119	253,239
For the Year Ended December 31, 2017			
Short-term employee benefits			
Salaries	$ 392,863	$ 227,130	$ 619,993
Insurance	30,294	18,026	48,320
Remuneration of directors	-	20,492	20,492
Post-employment benefits			
Defined contribution plans	10,371	8,265	18,636
Defined benefit plans (Note 16)	2,218	3,741	5,959
Other employee benefits	14,438	9,917	24,355
Depreciation expenses	205,822	30,374	236,196

As of December 31, 2018 and 2017, the Corporation had 1,010 and 1,035 employees, respectively, and 7 and 8 director who were not employees, respectively. The head counts were the same as those used as basis in the calculation of employee benefit expense.

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Corporation's board of directors on March 14, 2019 and March 16, 2018, respectively, are as follows:

	For the Year Ended December 31			
	2018		2017	
Cash	Accrual rate	Amount	Accrual rate	Amount
Employees' compensation	1.40%	$ 23,920	1.38%	$ 28,483
Remuneration of directors	0.9%	15,419	0.89%	18,360

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

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amount resolved by the Board of Directors	$ 28,483	$ 18,360	$ 26,207	$ 16,893
Amount recognized in the financial statements	$ 28,828	$ 18,582	$ 27,063	$ 17,800

The actual amounts of the employees' compensation and remuneration of directors paid for 2017 and 2016 differ from the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2018 and 2017, respectively.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the TWSE.

d. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 29,662	$ 10,307
Foreign exchange losses	(14,830)	(49,014)
Net gain or loss	$ 14,832	$ (38,707)

19. INCOME TAXES RELATED TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 160,965	$ 259,308
Income tax on unappropriated earnings	53,677	43,937
Adjustments for prior years	5,188	(2,769)
Land value increment tax	2	239
	219,832	300,715
Deferred tax		
In respect of the current year	(19,800)	91,601
Adjustment to deferred tax attributable to changes in tax rates and laws	113,923	-
	94,123	91,601
Income tax expense recognized in profit or loss	$ 313,955	$ 392,316

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 334,852	$ 342,057
Nondeductible expenses in determining taxable income	238	204
Temporary difference	(193,925)	8,648
Income tax on unappropriated earnings	53,677	43,937
Adjustments for prior years' tax	5,188	(2,769)
Effect of change in tax rate	113,923	-
Land value incremental tax	2	239
Income tax expense recognized in profit or loss	$ 313,955	$ 392,316

In 2017, the applicable corporate income tax rate used by entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of appropriations of earnings in 2019 is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ (2,444)	$ -
In respect of the current year:		
Remeasurement of defined benefit plans	(2)	(1,112)
Translation of foreign operations	(119)	(48,970)
	$ (2,565)	$ (50,082)

c. Deferred tax assets and liabilities

Deferred tax assets and liabilities were as follow:

	For the Year Ended December 31, 2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Defined benefit obligation	$ 29,300	$ (275)	$ 1,459	$ 30,484
Allowance for inventory value decline	21,641	1,193	-	22,834
Profit from associates	12,635	(1,421)	-	11,214
Exchange difference on foreign operations	5,589	-	1,106	6,695
Unrealized foreign currency exchange loss	2,796	(2,796)	-	-
Doubtful debts	3,510	2,563	-	6,073
	$ 75,471	$ (736)	$ 2,565	$ 77,300
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 707,182	$ 92,236	$ -	$ 799,418
Unrealized foreign currency exchange gain	-	1,151	-	1,151
	$ 707,182	$ 93,387	$ -	$ 800,569
Deferred tax assets				
Temporary differences				
Defined benefit obligation	$ 32,341	$ (4,153)	$ 1,112	$ 29,300
Allowance for inventory devaluation	21,577	64	-	21,641
Profit with associates	5,750	6,885	-	12,635
Exchange difference on foreign operations	-	-	5,589	5,589
Unrealized foreign currency exchange loss	-	2,796	-	2,796
Doubtful debts	4,532	(1,022)	-	3,510
	$ 64,200	$ 4,570	$ 6,701	$ 75,471
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 609,861	$ 97,321	$ -	$ 707,182
Exchange difference on foreign operations	43,381	-	(43,381)	-
Unrealized foreign currency exchange gain	1,150	(1,150)	-	-
	$ 654,392	$ 96,171	$ (43,381)	$ 707,182

d. Income tax assessments

The income tax returns through 2016 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT$)
For the Year Ended December 31, 2018			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,360,306	297,964	$4.57
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	548	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 1,360,306	298,512	$4.56
For the Year Ended December 31, 2017			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	$ 1,619,782	297,964	$5.44
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	288	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	$ 1,619,782	298,252	$5.43

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

21. OPERATING LEASE ARRANGEMENTS

The Corporation is leasing buildings as lessee. The lease periods are from 1 year to 5 years.

The future minimum lease payments of non - cancellable operating leases commitments are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 4,267	$ 4,463
Later than 1 year and not later than 5 years	2,020	3,144
	$ 6,287	$ 7,607

22. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

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

23. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Debts investment without active market	$ -	$ 1,150
Loans and receivable (1)	-	801,334
Financial assets at amortized cost (2)	889,443	-
Financial liabilities		
Amortized cost (3)	2,216,127	1,920,812

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, pledged bank deposits, notes receivable, trade receivables, other receivables and refundable deposits.

3) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables, long-term borrowings and guarantee deposits received.

b. Financial risk management objectives and policies

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

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The Corporation have foreign currency sales and purchases, which exposed the Corporation to foreign currency risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Corporation is mainly exposed to the USD and RMB.

The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associates with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

	Currency Impact	
	For the Year Ended December 31	
	2018	2017
USD	$ 4,679	$ 3,758
RMB	953	912

The Corporation was mainly attributable to the outstanding receivables in USD and RMB, which were not hedged at the end of the reporting period.

In the management's opinion, sensitivity analysis is unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrows funds at both fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2018	**2017**
Fair value interest rate risk		
Short-term borrowings	$ 180,000	$ -
Cash flow interest rate risk		
Long-term borrowings (including current portion)	1,485,860	1,355,020

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2018 and 2017 would have decreased/increased by $3,715 thousand and $3,388 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to failure of counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties.

In order to minimize credit risk, the Corporation had set up credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt periodically to ensure that adequate allowances is made for possible irrecoverable amounts. In this regard, the management believes the management credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical locations. On-going credit evaluation is performed on the financial condition of debtors in trade receivables.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, the Corporation monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Corporation had available unutilized bank loan facilities of $3,067,725 thousand and $3,386,400 thousand, respectively.

Liquidity and interest rate risk table for non-derivate financial liabilities

The following table details the Corporation's remaining contractual obligations for its non-derivative financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay, included. The table included both interest and principal cash flows.

	Less Than 3 months	**3 months - 1 Year**	**Over 1 Year**
December 31, 2018			
Non-interest bearing	$ 452,492	$ 97,745	$ 30
Short-term bank loan	180,000	-	-
Long-term bank loan	4,920	209,760	1,271,180
	$ 637,412	$ 307,505	$ 1,271,210
December 31, 2017			
Non-interest bearing	$ 551,234	$ 14,528	$ 30
Long-term bank loan	4,920	14,760	1,335,340
	$ 556,154	$ 29,288	$ 1,335,370

24. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and category

Related Party	Relationship with the Corporation
Paiho Int'L Limited	Subsidiaries
Pt. Paiho Indonesia	Subsidiaries
Paiho North America Corporation	Subsidiaries
Spring Rich Limited	Subsidiaries
Vietnam Paiho Limited	Subsidiaries
Paiho Shih Holdings Corporation	Subsidiaries
Zhong Yuan Xing Ye Company Ltd.	Subsidiaries
Wuxi Paiho Textile Co., Limited	Subsidiaries
Pai Lon International Trading Limited	Subsidiaries
Dongguan Paiho Powder Coating Co., Ltd.	Subsidiaries
Dongguan Paihong Industry Co., Ltd	Subsidiaries
China Star International Limited	Subsidiaries
Hon Shin Corp.	Subsidiaries
A-Wei Chen Cheng	Other related parties
Cheng-Tsung Cheng	Other related parties

b. Sales of goods

Related Parties Category / Name	For the Year Ended December 31 2018	2017
Fellow subsidiaries		
Vietnam Paiho Limited	$ 471,217	$ 531,570
Other	374,044	459,244
	$ 845,261	$ 990,814

The selling prices for related parties are quoted at cost plus 15% or according to market price. The terms of collection are about three months.

c. Purchases of goods

Related Parties Category / Name	For the Year Ended December 31 2018	2017
Subsidiaries	$ 76,286	$ 79,376

The purchasing prices are according to the market price and the terms of payment are about three months.

d. Rent expense (included in cost of goods sold and operating expense)

Related Parties Category / Name	For the Year Ended December 31 2018	2017
Other related parties	$ 1,446	$ 1,446
Subsidiaries	-	93
	$ 1,446	$ 1,539

The rental rate is based on the rental in the neighboring area, and is subject to agreement between the parties.

e. Non-operating income - other income

Related Parties Category / Name	For the Year Ended December 31 2018	2017
Fellow subsidiaries		
Pt. Paiho Indonesia	$ 1,989	$ 4,199
Other	272	223
	$ 2,261	$ 4,422

The non-operating income consisted of fee income from endorsements and guarantees for subsidiaries and rental income.

f. Receivable from related parties (excluding loans to related parties)

Related Parties Category / Name	December 31 2018	2017
Fellow subsidiaries		
Wuxi Paiho Textile Co., Limited	$ 39,592	$ 74,823
Other	35,553	78,946
	$ 75,145	$ 153,769

g. Payable to related parties (excluding loans from related parties)

Related Parties Category / Name	December 31 2018	2017
Subsidiaries	$ 6,777	$ 5,904

h. Other receivables

Related Parties Category / Name	December 31 2018	December 31 2017
Fellow subsidiaries		
Vietnam Paiho Limited	$ 66,157	$ 3,639
Other	2,850	2,066
	$ 69,007	$ 5,705

The other receivables were mainly advanced payments and machine receivable.

i. Temporary credits (Accounting for other current assets)

Related Parties Category / Name	December 31 2018	December 31 2017
Fellow subsidiaries		
Vietnam Paiho Limited	$ 39,654	$ 4,385
Pai Lon International Trading Limited	7,020	3,942
	$ 46,674	$ 8,327

The temporary credits were collections for subsidiaries.

j. Disposals of property, plant and equipment

Related Parties Category / Name	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Fellow subsidiaries		
Vietnam Paiho Limited	$ 141,991	$ 1,894
Pai Paiho Indonesia	488	147
	$ 142,479	$ 2,041

k. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 54,353	$ 58,940
Post-employment benefits	502	653
	$ 54,855	$ 59,593

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

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for long-term bank borrowings and guarantee:

	December 31	
	2018	**2017**
Financial assets at amortized cost	$ 7,150	$ -
Pledged regular deposits (classified as debt investment with no active market-current)	-	1,150
Property, plant and equipment	661,346	677,238
	$ 668,496	$ 678,388

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments, and contingencies of the Corporation as of December 31, 2018 and 2017 were as follows:

a. Unrecognized commitments

	December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 376,330	$ 431,312

b. In July 2008, the Corporation signed a 10-year Technical Services Agreement with non-related party to acquire expertise in molded hook production. According to the Agreement, the Corporation will have to pay premium of US$281 thousand each year and an additional premium payment according to a certain percentage of the sales amount at the end of each year. The Agreement is extended for another 10 years after the expiration in 2018.

c. After approval of a resolution at the extraordinary general meeting of shareholders on September 2, 2010, the Corporation and Paiho Shih Holdings Corporation signed an agreement on “Comprehensive Agreement on the Use of Trademarks and Patent Rights, Sales Area Division and Affiliates Transactions”.

   After listing on the stock exchange, Paiho Shih Holdings Corporation obtained approval to purchase shares of Paiho Europe, S.A. and Paiho North America Corporation by itself or its subsidiaries on appropriate time and at a fair price according to valuation of a professional appraisal organization.

   In addition, to meet the requirements for listing, after approval of a resolution at the annual shareholder's meeting on April 21, 2011, Paiho Shih Holdings Corporation revised part of the articles in the above agreement about the Sales Area Division and about the non-compete clause.

   Due to decline in business and economy, the Corporation has terminated the operation of Paiho Europe, S.A. Therefore, on February 27, 2014, Paiho Shih Holdings Corporation submitted a letter to Taiwan Stock Exchange to report that Paiho Europe, S.A. no longer exists and Paiho Shih Holdings Corporation cannot continue the above agreement.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2018			December 31, 2017		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets						
Monetary items						
USD	$ 15,234	30.715	$ 467,898	$ 12,627	29.760	$ 375,771
CNY	21,319	4.472	95,336	19,976	4.565	91,189
Non-monetary items						
Investment accounted for using the equity method						
USD	266,055	30.715	8,171,866	248,490	29.760	7,395,051

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

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
USD	30.715 (USD:NTD)	$ 154	29.760 (USD:NTD)	$ (2,543)
CNY	4.472 (CNY:NTD)	198	4.565 (CNY:NTD)	937
		$ 352		$ (1,606)

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 5)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 7)

9) Trading in derivative instruments. (None)

10) Information on investees. (Table 8)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 6)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (Table 2)

e) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Corporation’s reportable segments are Productions and Construction.

a. Segment revenues and results

The following is an analysis of the Corporation’s revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2018	2017	2018	2017
Production	$ 3,822,629	$ 4,310,515	$ 663,741	$ 1,002,345
Construction	-	18,918	-	4,118
Total from continuing operations	$ 3,822,629	$ 4,329,433	663,741	1,006,463
Interest income			$ 598	$ 501
Corporation other income and benefits			1,019,108	1,060,282
Net foreign exchange gain (loss)			14,832	(38,707)
Interest expenses			(20,875)	(15,102)
Corporation other expenses and losses			(3,143)	(1,339)
Profit before income tax			$ 1,674,261	$ 2,012,098

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2018 and 2017.

Segment profit represented the profit before tax earned by each segment without interest income, share of profit of subsidiaries and associates accounted for using the equity method, net foreign exchange gain (loss), interest expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Corporation had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Geographical information

The Corporation operates in principal geographical area - Taiwan.

d. Information about major customers

The revenue from production segment in 2018 and 2017 was $3,822,629 thousand and $4,310,515 thousand, respectively which included $471,217 thousand and $531,570 thousand, respectively, from the largest customer of the Corporation.

Except for the above, no other single customers contributed 10% or more to the Corporation's revenue in 2018 and 2017.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 3 and 5)	Ending Balance (Note 4 and 5)	Actual Borrowing Amount (Note 4)	Interest Rate	Nature of Financing (Note 6)	Business Transaction Amounts	Reasons for Short-term Financing (Note 6)	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
1	Paiho Int'L Limited	Vietnam Paiho Limited	Receivables from related parties	Y	$ 243,880 (USD 8,250)	$ 222,684 (USD 7,250)	$ 222,684 (USD 7,250)	2.3%	Necessary for long-term financing.	$ -	Operating capital	$ -	-	$ -	$ 2,232,374	$ 2,232,374
		Pt. Paiho Indonesia	Receivables from related parties	Y	159,780 (USD 5,000)	153,575 (USD 5,000)	153,575 (USD 5,000)	2.3%	Necessary for long-term financing.	-	Operating capital	-	-	-	552,870	2,232,374
		Zhong Yuan Xing Ye Company Ltd.	Receivables from related parties	Y	30,205 (USD 1,000)	-	-	2.3%	Necessary for long-term financing.	-	Operating capital	-	-	-	115,488	2,232,374
2	Paiho Shih Holdings Corporation	Paihong Vietnam Company Limited	Receivables from related parties	Y	607,200 (USD 20,000)	641,300 (USD 20,000)	614,300 (USD 20,000)	3-Month USD LIBOR Rate, plus 1.28% and 2%-4%	Necessary for short-term financing.	-	Operating capital	-	-	-	1,919,623	1,919,623
		Hon Shin Corp.	Receivables from related parties	Y	306,200 (USD 10,000)	-	-	3.2%		-	Operating capital	-	-	-	1,919,623	1,919,623
3	Dongguan Paihong Industry Co., Ltd	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Y	679,880 (RMB 150,000)	670,800 (RMB 150,000)	491,920 (RMB 110,000)	4%-4.7%	Necessary for short-term financing.	-	Operating capital	-	-	-	1,101,432	1,101,432
4	Wuxi Paiho Textile Co., Limited	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Y	639,439 (RMB 140,000)	626,080 (RMB 140,000)	603,720 (RMB 135,000)	4%-4.7%	Necessary for short-term financing.	-	Operating capital	-	-	-	626,080	2,336,651
		Dongguan Paihong Industry Co., Ltd	Receivables from related parties	Y	137,160 (RMB 30,000)	-	-	4%-4.7%	Necessary for short-term financing.	-	Operating capital	-	-	-	798,464	2,336,651
5	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivables from related parties	Y	469,910 (USD 15,250)	468,404 (USD 15,250)	314,829 (USD 10,250)	3-Month USD LIBOR Rate, plus 1.28% and 2.25%-4.2%	Necessary for long-term financing.	-	Operating capital	-	-	-	640,253	640,253

Note 1: The amount for lending to a company shall not exceed the maximum of borrowers' paid-in capital and net worth, except foreign companies whose voting shares are 100% owned, directly or indirectly by lender or the Corporation shall not exceed 50% of borrowers' paid-in capital. The financing limit for each borrower shall not exceed aggregated financing limits.

Note 2: The total amount for lending shall not exceed 40% of the net worth of lender.

Note 3: The maximum amount were translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 4: The ending balance and actual borrowing amount used are recorded at prevailing exchange rate on balance sheet date.

Note 5: The ending balance amount has been approved by the board of directors.

Note 6: The restriction of the term of each loan for funding not exceeding one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Corporation holds, directly or indirectly, 100% of the voting shares.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 5)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 6)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	The Corporation	Paiho Int'L Limited	1	$ 8,776,955	$ 238,914 (USD 7,800)	$ 92,145 (USD 3,000)	$ 46,073 (USD 1,500)	$ -	1.11%	$ 13,165,433	Y	-	-
		He Mei Xing Ye Company Ltd. (Note 4)	1	8,776,955	120,020 (USD 4,000)	61,430 (USD 2,000)	-	-	0.74%	13,165,433	Y	-	-
		Zhong Yuan Xing Ye Company Ltd.	1	8,776,955	274,995 (USD 9,000)	184,290 (USD 6,000)	-	-	2.21%	13,165,433	Y	-	-
		Pt. Paiho Indonesia	1	8,776,955	1,956,895 (USD 65,000)	1,535,750 (USD 50,000)	1,028,954 (USD 33,500)	-	18.43%	13,165,433	Y	-	-
1	Paiho Shih Holdings Corporation	Dongguan Paihong Industry Co., Ltd	1	4,799,058	336,770 (USD 11,000)	276,435 (USD 9,000)	61,430 (USD 2,000)	-	6.04%	7,198,587	-	-	Y
		Pai Lon International Trading Limited	1	4,799,058	120,690 (USD 4,000)	-	-	-	-	7,198,587	-	-	-
		Hon Shin Corp.	1	4,799,058	2,438,365 (USD 62,000) (EUR 16,000)	2,032,355 (USD 57,000) (EUR 8,000)	1,104,620 (USD 32,151) (EUR 3,326)	-	44.41%	7,198,587	-	-	-
		Vietnam Paihong Limited Company	1	4,799,058	3,232,950 (USD 107,000)	2,856,495 (USD 93,000)	1,965,760 (USD 64,000)	-	62.42%	7,198,587	-	-	-

Note 1: Holding more than 50% of the voting shares directly or indirectly.

Note 2: The individual amount shall not exceed 100% of the net worth of the Corporation and Paiho Shih holdings corporation and the total amount shall not exceed total guarantee limit.

Note 3: The total amount of the guarantee shall not exceed 150% of the net worth of the Corporation and Paiho Shih holdings corporation.

Note 4: The guarantee is for Vietnam Paiho Limited.

Note 5: The maximum amount were translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 6: The ending balance and actual borrowing amount were translated foreign currency into New Taiwan dollars at prevailing exchange rate on balance sheet date.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note)	
Paiho Holdings Limited	Stock right Leader Elastic Limited	-	Financial assets at fair value through other comprehensive income - non-current	7,500,000	$ 31,644 (USD 1,030)	14%	$ 31,644 (USD 1,030)	

Note: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICE AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount
Paiho Shih Holdings Corporation	Capital stock	Investments accounted for using equity method	Hon Shin Corp.	Subsidiary	54,640,000	$ 1,551,154	15,360,000	$ 453,688	70,000,000	$ 1,600,633
Hon Shin Corp.	Stock right	Investments accounted for using equity method	Vietnam Paihong Limited Company	Subsidiary	-	1,281,455	-	747,761	-	1,756,299

Note: The ending balance is including investment income or loss from investment accounted for using equity method and exchange differences on translating foreign operations.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Foreign Currency)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Vietnam Paiho Limited	Plant	2017.06.16-2018.01.22	VND 560,671,000	As of December 31, 2018, VND 512,500,750 has been paid	Cong Ty Cp Dau Tu Xay Dung Ricons	-	-	-	-	$ -	Refer to market price and set out by mutual agreement	Operating purpose	-
Wuxi Paihong Real Estate Co., Ltd.	Construction in Progress	2018.05.31	RMB 107,206	As of December 31, 2018, RMB 56,680 has been paid	China Construction Dongfang Decoration Co., Ltd.	-	-	-	-	-	Refer to market price and set out by mutual agreement	Operating purpose	-
	Construction in Progress	2018.06.21	RMB 328,079	As of December 31, 2018, RMB 17,880 has been paid	Zhe Jiang Baoye Construction Group Co., Ltd	-	-	-	-	-	Refer to market price and set out by mutual agreement	Operating purpose	-

Note: The amount of transactions are according to the contracts.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Corporation	Vietnam Paiho Limited	Note 1	Sale	$ 471,217	(12%)	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	$ 29,372	5%
	Wuxi Paiho Textile Co.,Limited	Note 1	Sale	190,199	(5%)	About 3 months	According to market price	About 3 months	39,592	6%
	Pai Lon International Trading Limited	Note 1	Sale	106,696	(3%)	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	3,811	1%
Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd	Note 1	Sale	416,452 (USD13,813)	(35%)	About 3 months	According to market price or acquisition cost of Pai Lon International Trading Limited plus 17%	About 3 months	56,362 (USD 1,835)	33%
	Wuxi Paiho Textile Co.,Limited	Note 1	Sale	169,530 (USD 5,623)	(14%)	About 3 months	According to market price or acquisition cost of Pai Lon International Trading Limited plus 17%	About 3 months	28,735 (USD 936)	17%
	Paiho North America Corporation	Note 1	Sale Sale	128,225 (USD 4,253)	(11%)	About 3 months	According to market price	About 3 months	17,415 (USD 567)	10%
Wuxi Paiho Textile Co., Limited	Pai Lon International Trading Limited	Note 1	Sale	403,624 (RMB88,514)	(18%)	About 3 months	According to market price of sales price of Pai Lon International Trading Limited plus 88%	About 3 months	38,186 (RMB 8,539)	7%
Dongguan Paihong Industry Co., Ltd	Wuxi Paiho Textile Co., Limited	Note 1	Sale	147,984 (RMB32,453)	(6%)	About 3 months	According to market price	About 3 months	15,585 (RMB 3,485)	4%
Hon Shin Corp.	Vietnam Paihong Limited Company	Note 1	Sale	243,064 (USD 8,062)	(82%)	About 3 months	According to market price	About 3 months	505,785 (USD16,467)	98%

Note: See Notes 11 and 24 to the financial statements.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Paiho Int'L Limited	Pt. Paiho Indonesia	Note 2	$ 153,810 (USD 5,008)	-	$ -	-	$ -	$ -
	Vietnam Paiho Limited	Note 2	222,684 (USD 7,250)	-	-	-	-	-
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	Note 2	619,831 (USD 20,180)	-	-	-	-	-
Dongguan Paihong Industry Co., Ltd	Wuxi Paihong Real Estate Co., Ltd.	Note 2	513,873 (RMB 114,909)	-	-	-	-	-
Wuxi Paiho Textile Co., Limited	Wuxi Paihong Real Estate Co., Ltd.	Note 2	628,884 (RMB 140,627)	-	-	-	299,664 (RMB 67,009)	-
Hon Shin Corp.	Vietnam Paihong Limited Company	Note 2	821,615 (USD 26,750)	0.33	-	-	-	-

Note 1: Including trade receivables, other receivables and receivables from related party.

Note 2: See Notes 11 and 24 to the financial statements.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%	Carrying Amount			
The Corporation	Paiho Int'L Limited	British Virgin Islands	International investment	$ 1,107,261	$ 1,107,261	33,368,564	100%	$ 5,654,143	$ 688,814	$ 711,493	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International Investment	876,863	876,863	26,505,685	100%	928,162	40,054	41,076	Subsidiary
	Pt. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	329,916	(38,705)	(38,318)	Subsidiary
	Paiho North America Corporation	California	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	216,056	(14,501)	(14,501)	Subsidiary
	Spring Rich Limited	Taiwan Changhua	Extra processing of webbings	3,000	3,000	-	100%	4,756	263	263	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City of Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	246,620	246,620	-	33%	1,102,472	879,766	290,428	Sub-subsidiary
Paiho Int'L Limited	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	150,585,552	52%	2,511,333	317,765	Note 1	Sub-subsidiary
	He Mei Xing Ye Company Ltd.	British Samoa	International investment	USD 16,263	USD 16,263	16,262,840	100%	2,260,096	589,694	Note 1	Sub-subsidiary
	Zhong Yuan Xing Ye Company Ltd.	British Samoa	International trading	USD 3,760	USD 1,760	3,760,000	100%	29,976	(27,612)	Note 1	Sub-subsidiary
	Pt. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics.	USD 180	USD 180	1,800	1%	3,332	(38,705)	Note 1	Subsidiary
He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Ho Chi Minh City of Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	546,856	546,856	-	67%	2,260,095	879,766	Note 1	Sub-subsidiary
Paiho Shih Holdings Corporation	Hong Kong Antex Limited	Hong Kong	International investment	USD 54,335	USD 54,335	54,334,644	100%	6,104,672	822,269	Note 1	Sub-subsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD 1,791	USD 1,791	1,500,000	100%	(98,028)	(60,370)	Note 1	Sub-subsidiary
	Hon Shin Corp.	British Samoa	International investment	USD 70,000	USD 54,640	70,000,000	100%	1,600,633	432,005)	Note 1	Sub-subsidiary
Paiho Group Inc.	Paiho Holdings Limited	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	929,777	40,054	Note 1	Sub-subsidiary
Paiho Holdings Limited	Braits Company Limited	British Virgin Islands	International investment	562,498	562,498	16,601,385	100%	472,060	26,828	Note 1	Sub-subsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong Province, Vietnam	Production & marketing of mesh and other fabrics	USD 70,000	USD 45,000	-	100%	1,756,299	(295,661)	Note 1	Sub-subsidiary

Note 1: Not applicable.

Note 2: Information on investment in mainland China, please see Table 9.

TABLE 9

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Dongguan Paiho Textile Limited	Production & marketing of touch fasteners, elastics, various type of webbings and computerizes embroidery	$ 154,154 (RMB 34,471)	(Note 1)	$ -	$ -	$ -	$ -	$ (4,039)	100%	$ (4,039)	$ 166,395	$ 1,214,739
Wuxi Paiho Textile Co.,Limited	Processing of touch fastener webbing and embroidery	1,719,897 (RMB 384,592)	(Note 1)	985,180	-	-	985,180	825,077	55%	453,011	3,319,780	197,463
China Star International Limited	Production & marketing of powder coating	184,220 (RMB 41,194)	(Note 1)	201,922	-	-	201,922	14,094	100%	14,094	361,147	268,958
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	184,014 (RMB 41,148)	(Note 1)	35,720	-	-	35,720	15,891	100%	15,891	235,409	33,377
Wuxi Paisem Chemical Fibre Co., Ltd.	Production & marketing of chemical fiber	591,140 (RMB 132,187)	(Note 1)	564,691	-	-	564,691	26,828	100%	26,828	472,060	-
Dongguan Paihong Industry Co., Ltd	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	1,596,928 (RMB 357,095)	(Note 1)	141,664	-	-	141,664	310,822	54%	163,219	1,465,395	132,054
Wuxi Paihong Real Estate Co., Ltd.	Commercial property management; planning consultants, sales & leasing of real estate and design decoration.	1,252,160 (RMB 280,000)	(Note 1)	(Note 2)	-	-	-	250,428	55%	134,253	765,372	-
Wuxi Paiwei Biotechnology Co. Ltd	Production and sales of masks and non-woven products; self - operation & agent the import & export of varied goods and technology	89,440 (RMB 20,000)	(Note 1)	(Note 2)	-	-	-	(6,817)	55%	(3,704)	45,429	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 575,316	$ 839,011 (USD 27,316)	No maximum limitation (Note 3)

Note 1: See Notes 10 and 11 to the financial statements

Note 2: Investee of Wuxi Paiho Textile Co., Limited.

Note 3: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China", issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the investment in Mainland China has no maximum limitation since the Corporation had acquired the IDB approval of the Corporation's establishment of an operating headquarter in Taiwan.

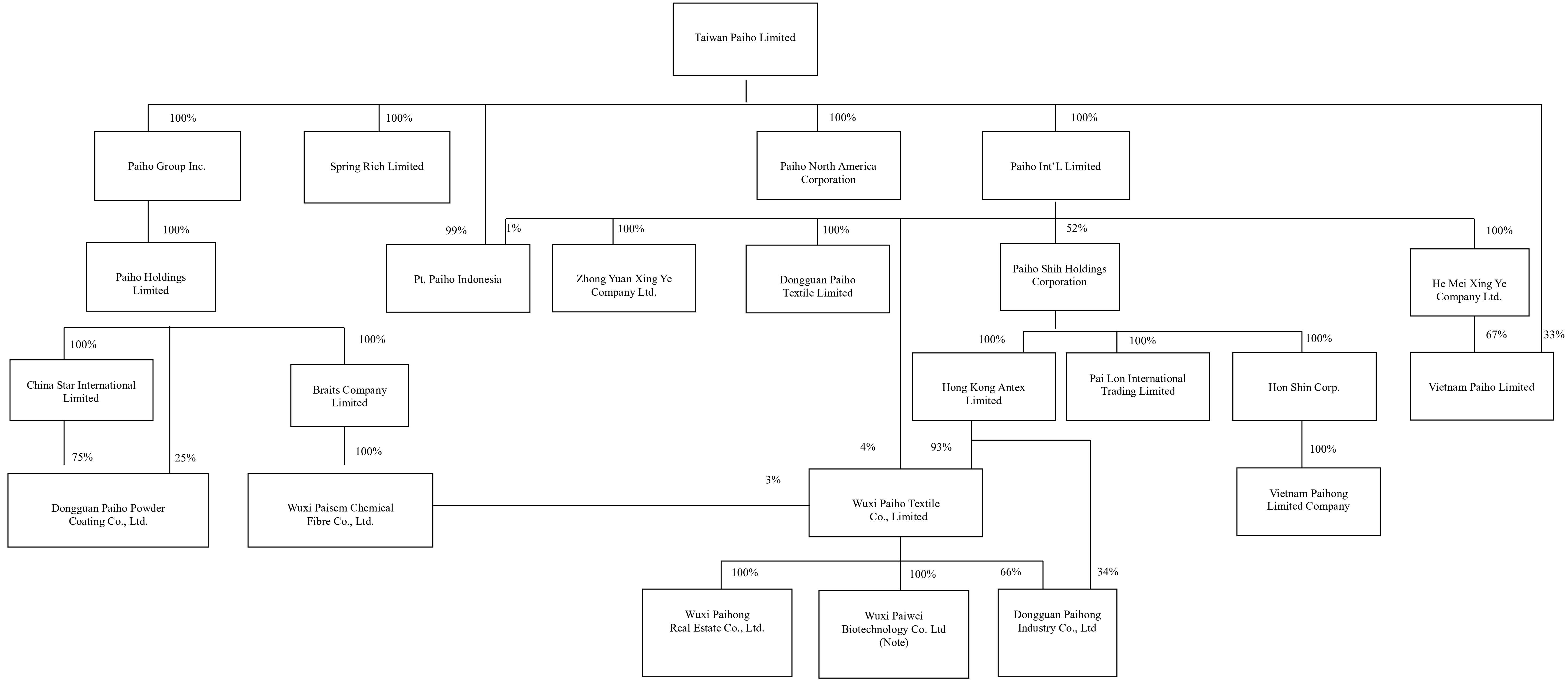
Note 4: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Note 5: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

TABLE 10

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

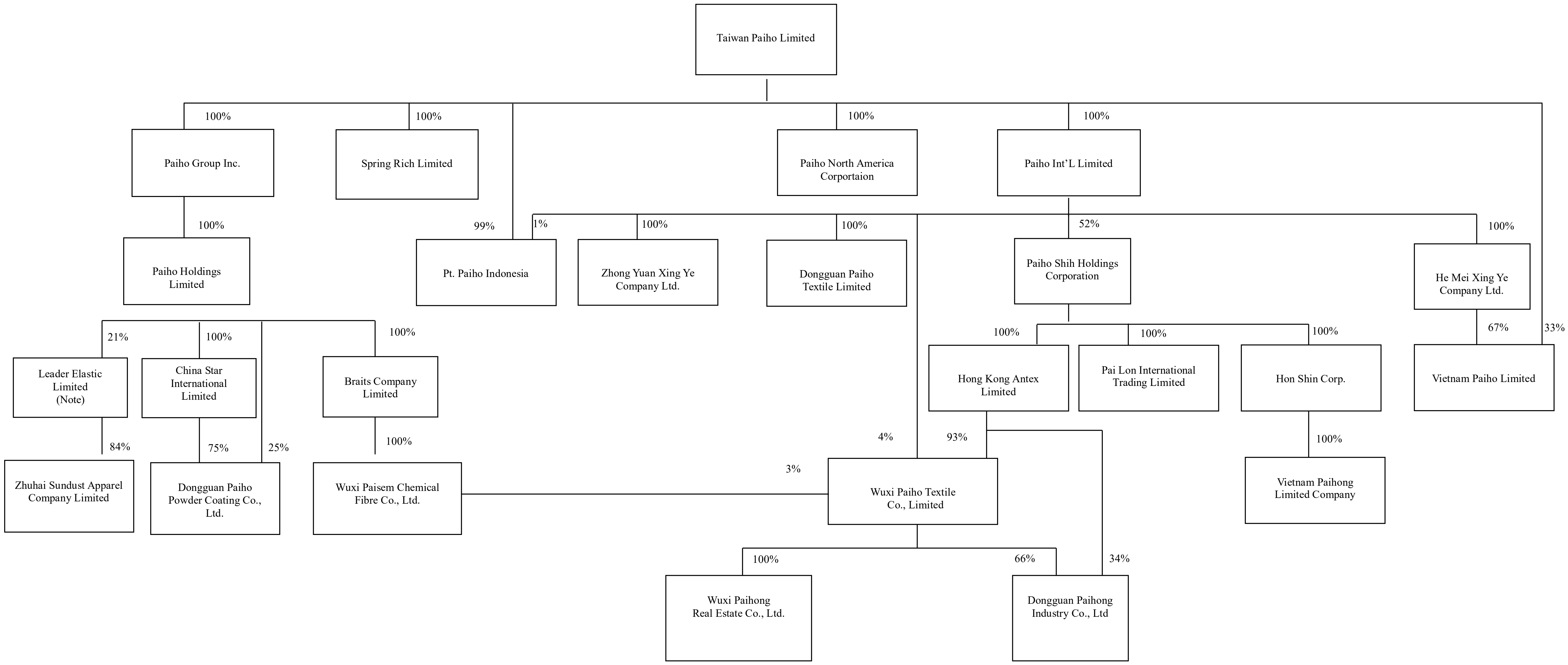
TRANSFER INVESTMENT STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2018



Note: Wuxi Paiho Textile Co., Limited invested in Wuxi Paiwei Biotechnology Co., Ltd in January, 2018.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

TRANSFER INVESTMENT STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2017



Note: In June 2018, the Group didn't subscribe for additional new shares of Leader Elastic Limited, reducing its continuing interest to 14% and ceasing to have significant influence.

6.6 If the Company and its Affiliates Experienced any Financial Difficulties in the Recent Year and Up to the Annual Report Publication Date, Please Describe Their Impact on the Financial Position of the Company: None.

VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management

7.1 Financial Position Analysis - Consolidated Financial Statements

Unit: NT$ thousands

Item	2018	2017	Amount	%
Current Assets	$12,900,831	$ 9,789,763	$ 3,111,068	32
Property, Plant and Equipment	9,830,771	7,958,247	1,872,524	24
Intangible Assets	237,748	242,806	(5,058)	(2)
Other Assets	3,664,363	3,460,505	203,858	6
Total Assets	26,633,713	21,451,321	5,182,392	24
Current Liabilities	9,778,701	6,383,190	3,395,511	53
Non-current Liabilities	5,754,736	4,453,729	1,301,007	29
Total Liabilities	15,533,437	10,836,919	4,696,518	43
Equity Attributable to Owners of the Corporation				
Equity	2,979,639	2,979,639	0	0
Capital Surplus	727,880	727,745	135	0
Retained Earnings	5,300,166	4,833,155	467,011	10
Other Equity	(230,730)	(232,031)	1,301	(1)
Treasury Shares	0	0	0	0
Non-controlling Interest	2,323,321	2,305,894	17,427	1
Total Equity	11,100,276	10,614,402	485,874	5

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:

1. The increase in current assets was mainly attributed to the increase in cash inflow from operating activities, advance receipts, and the continuous investment in inventory-construction business, resulting in an increase in current assets.
2. The increase in the property, plants, and equipment was mainly attributable to the expansion of new operating bases.
3. The increase in current liabilities was mainly attributable to the increase in the scale of operations, the construction project in progress, and the increase in demand for working capital, resulting in an increase in the construction project the payment and short-term loans.
4. The increase in non-current liabilities was mainly attributable to the increase in the funds required for the expansion of the mid-term operating turnover fund and the expansion of the plant and equipment at various operating locations. Therefore, a syndicate bank loan was arranged in 2018, resulting in an increase in long-term bank loans.

7.2 Financial Performance

7.2.1 Analysis of Financial Performance – Consolidated Financial Statements

Unit: NT$ thousands

Item \ Year	2018	2017	Difference		Remark
			Amount	%	
Net Sales	$13,716,050	$11,747,956	$1,968,094	17	
Cost of Goods Sold	8,732,208	7,043,005	1,689,203	24	
Gross Profit	4,983,842	4,704,951	278,891	6	
Operating Expenses	2,613,235	2,030,606	582,629	29	1
Profit from Operations	2,370,607	2,674,345	(303,738)	(11)	
Non-Operating Income and Expenses	(158,087)	(82,767)	(75,320)	91	2
Profit before Income Tax	2,212,520	2,591,578	(379,058)	(15)	
Income Tax Expense	698,178	758,900	(60,722)	(8)	
Net Profit	1,514,342	1,832,678	(318,336)	(17)	
Other Comprehensive loss for the Year, Net of Income Tax	(96,162)	(228,093)	131,931	(58)	3
Total Comprehensive Income for the Year	$ 1,418,180	$ 1,604,585	($ 186,405)	(12)	

Analysis of changes in ratio:

1. The increase in operating expenses was mainly due to the increase in related personnel and development costs in response to the expansion of new product development and overseas operations in 2018.
2. The decrease in non-operating income and expenses was mainly attributable to the increase in the capital expenditure and operating turnover of the plant and equipment in 2018. Therefore, the amount of bank loans was increased, resulting in an increase in interest expenses.
3. The decrease in other comprehensive losses during the year was mainly due to the decrease in the exchange loss arising from the exchange rate conversion of the financial statements of foreign operating institutions in 2018 compared with the fiscal year of 2017.

7.2.2 Analysis of Changes in Gross Profit: N/A.

7.3 Consolidated Cash Flow

7.3.1 Analysis of Changes in Cash Flow in 2018

Unit: NT$ thousands

Cash and Cash Equivalents at the Beginning of the Year	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies	Cash and Cash Equivalents at the End of the Year
2,744,558	2,677,517	(3,204,534)	1,904,146	(104,215)	4,017,472

Analysis of change in cash flow:

1. Net cash inflow from operating activities: mainly due to the profits generated from operations and advance receipts.
2. Net cash outflow from investing activities: mainly due to the increase in expenditures on new plants and equipment purchases and their advance payments.
3. Net cash inflows from financing activities: mainly due to the increase in bank loans for the purpose of enriching the mid-term operating turnover fund and the increase in funds required for the expansion of plants and equipment at various operating locations.

7.3.2 Improvement Plan(s) for Inadequate Liquidity：

The Company and its subsidiaries had been in close contact with banks in 2018 with a good financing and credit condition established. Therefore, under reasonable capital requirements, the Company has no insufficient liquidity or shortage of funds.

7.3.3 Liquidity Forecast Analysis in the Future Year

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year 1	Estimated Net Cash Inflow from Operating Activities 2	Estimated Cash Outflow 3	Cash Surplus (Deficit) 1+2-3	Remedial Measures for Cash Deficit	
				Investment Plans	Financing Plans
$ 4,017,472	$ 3,139,566	$ 3,139,671	$ 4,017,367	None	None

1. Analysis of change in cash flow for the current year:
   (1) Operating activities: Expected net cash inflows from operating profits in 2019.
   (2) Investing activities: The net cash outflows from investing activities is mainly due to the increase in expenditures for the purchase of plants and machinery and equipment.
   (3) Financing activities: The net cash outflow from financing activities is mainly due to the distribution of cash dividends and repayment of bank loans.
2. Remedy for cash deficit and liquidity analysis: N/A.

7.4 Impact of MAjor Capital Expenditures on Financial Operations in the Recent Year:

The plant expansion and the purchase of machinery equipment by the Company and its subsidiaries is mainly in response to the needs of future operational development, and to continue to support the development of new products or customer order requirements. The plant expansion and purchase of related equipment, except for expanding the productivity of accessories, is for entering the main material market to increase sales and profits. The source of funds for the plant expansion and the purchase of equipment is mainly funded with working capital and various long-term bank borrowings.

7.5 Reinvestment Policy in the Recent Year, the Major Reasons for the Profits (Losses), Improvement Plan and Investment Plans in the Future Year:

The Company's investment policy is focused on the development of the business and will continue to focus on the Company's business in the future; also, it strengthens upstream and downstream integration as well as the horizontal development of the Company in order to expand the scale of the Company' operations and generate profits. The investment income under the Equity Method of the Company in 2018 was NT$990,441 thousand, which was lower than the previous year. The main reason was that Vietnam Paihong and Indonesia Paiho were in the initial stages of operation and are still in the preparation or new products development stage; therefore, the benefits have not yet fully appeared. In the future, the speed of developing new products will be continuously strengthened and the market will be expanded to increase the overall efficiency of the Group.

7.6 Analysis and Assessment on Risk Matters in the Recent Year and Up to the Annual Report Publication Date:

7.6.1 Impact of Interest Rate and Exchange Rate Fluctuation and Inflation Condition on the Profit/Loss of the Company and Future Countermeasures:

Item	Profit or Loss Effect	Future Response Measures
Interest Rate Fluctuations	Increase in Interest Expenses	Funds will be acquired by considering the amount and cost of various sources of funds to reduce their volatility losses.
Exchange Rate Fluctuations	Self-balance (hedge) of the exports revenue and imported raw materials.	None
Inflation	No significant impact on the Company's profit or loss.	None

7.6.2 Policies on Engaging in High Risk, High Leverage Investments, Loaning Funds to Others, Endorsements/Guarantees, as well as Derivative Transactions, Main Causes of Profit and Loss as well as Future Countermeasures:

The Company only invests in the principal business and related industries, and only makes endorsements/guarantees and loaning of funds for others within the stipulations of the law; therefore, there is no profit or loss that occurred.

7.6.3 The Company continues to develop new products and to expand new applications with a focus on all kinds of webbing(shoelaces), easy tape and reflective products, touch fastener, elastic, and other accessories, as well as 4-way stretchable elastic-knitted uppers, Jacquard digital woven Fabric and Jacquard engineered mesh, and other main products. It is estimated that the annual R&D expense ratio will account for about 3% of net sales. There is no significant change and there is no significant risk in the relevant R&D.

7.6.4 Impacts of Important Domestic/Foreign Policies and Changes of Laws on the Financial Business of the Company and Countermeasures:

Due to legal alternation, in 2018 Taiwan's corporate income tax rate increase from 17% to 20%, which will increase the company's overall income tax expenses. To reduce the overall impacts of the company, the Company will actively strive for various income tax incentives that apply in domestic and abroad operating location and constantly improve its efficiency.

7.6.5 Impacts of Changes in Technology and Industry on the Financial Business of the Company and Countermeasures:

The Company's Information Technology department has established an appropriate information security policy, and has firewall and security software installed to control the operational functions of the Company. The Company does not have security insurance, but the Information Technology department will regularly review the system records of various network service projects, track abnormal situations, and regularly handle system recovery and backup plans to ensure the normal operation of the Company's information system and data preservation in order to reduce the risk of system interruption caused by unwarranted natural disasters and human error. The information management unit continuously reviews the implementation and policies of information security annually, strengthens the protection of corporate information security, and upgrades appropriate software and hardware equipment in a timely manner and improves relevant regulations. In 2018 and as of the annual report printing date, the Company did not find any major cyber-attacks or incidents that had or may have a material adverse effect on the Company's business and operations, nor had it been involved in any litigation, supervision, or investigation of an incident.

7.6.6 Impacts of Change of Cooperate Image on the Cooperate Crisis Management and Countermeasures:

The Company has always adhered to professional and honest business principles, paid attention to corporate image and risk control. There are no foreseeable crisis issues at present.

7.6.7 Expected Benefits, Possible Risks, and Countermeasures for Merger: None.

7.6.8 Expected Benefits, Possible Risks, and Countermeasures for Expansion of Facilities:

The Company's plant expansion in 2018 refers to the expansion of production in Taiwan, Indonesia, and Vietnam in response to the needs of future operational development, to enhance the Group's overall production capacity, and to serve customers in the vicinity. As these plants are available for their own use and can be used immediately upon completion, the construction projects are funded with their own working capital and long-term bank borrowings. Therefore, there is no liquidity risk of insufficient capital supply.

7.6.9 Risks Associated with Consolidation of Sales or Purchasing Operations, and Countermeasures:

Purchase: The Company's main raw materials are nylon monofilament yarn, nylon multifilament yarn, plastic pellets, rubber thread, and Polyester yarn, which are produced and supplied by many domestic and foreign manufacturers, such as: Jvan, Golden Light, Kwanchi, Tohitomo, Jendeh, etc. As for the supply of raw materials, there is no interruption in the supply of raw materials. The Company does not purchase more than 10% raw material from one single supplier for the purpose of diversifying procurement risk. Therefore, there is no risk of concentration of purchases.

Sales: Due to a wide range of applications the products produced and sold by the Company, such as, shoes, garments, 3C products, medical and health, automotive, aviation, materials, etc., the customer base is scattered and the sales to single customers are less than 10% of the total sales, so there is no risk of concentration of sales.

7.6.10 Impacts, Risks, and Countermeasures of Directors, or Shareholders with a Shareholding Percentage Exceeding 10%, Large Equity Transfer, or Change on the Company:

In 2018, except for Mr. Chih-Yu Cheng, Director, who had his shareholding transferred to his spouse or reinvested as a personal financial plan, no other directors, or shareholders holding more than 10% of the shares have transferred a large number of shares. Therefore, this has no significant impact on the operation of the Company.

7.6.11 Impacts, Risks, and Countermeasures of Change in Management Rights to the Company:

In the most recent year and as of the annual report printing date, the Company's management is stable and is committed to improving the Company's operational performance and creating maximum interests for shareholders; therefore, there is no change in management rights.

7.6.12 The Company and Director, General Manager, Substantial Responsible Person of the Company, Major Shareholder with a Shareholding Percentage Exceeding 10%, and Affiliate of the Company that has Received any Affirmative Ruling or is Involved in Any Pending Major Litigation, Non-Contentious Case or Administrative Dispute Event, and the Result thereof may have Major Impacts on the Shareholders' Rights or Stock

Price; Relevant Dispute Facts, Subject Matter Amount, Litigation Starting Date, Main Parties Involved in the Litigation, and the Handling Status Up to the Annual Report Publication Date Required to be Disclosed: None.

7.6.13 Other Significant Risks and Countermeasures: None.

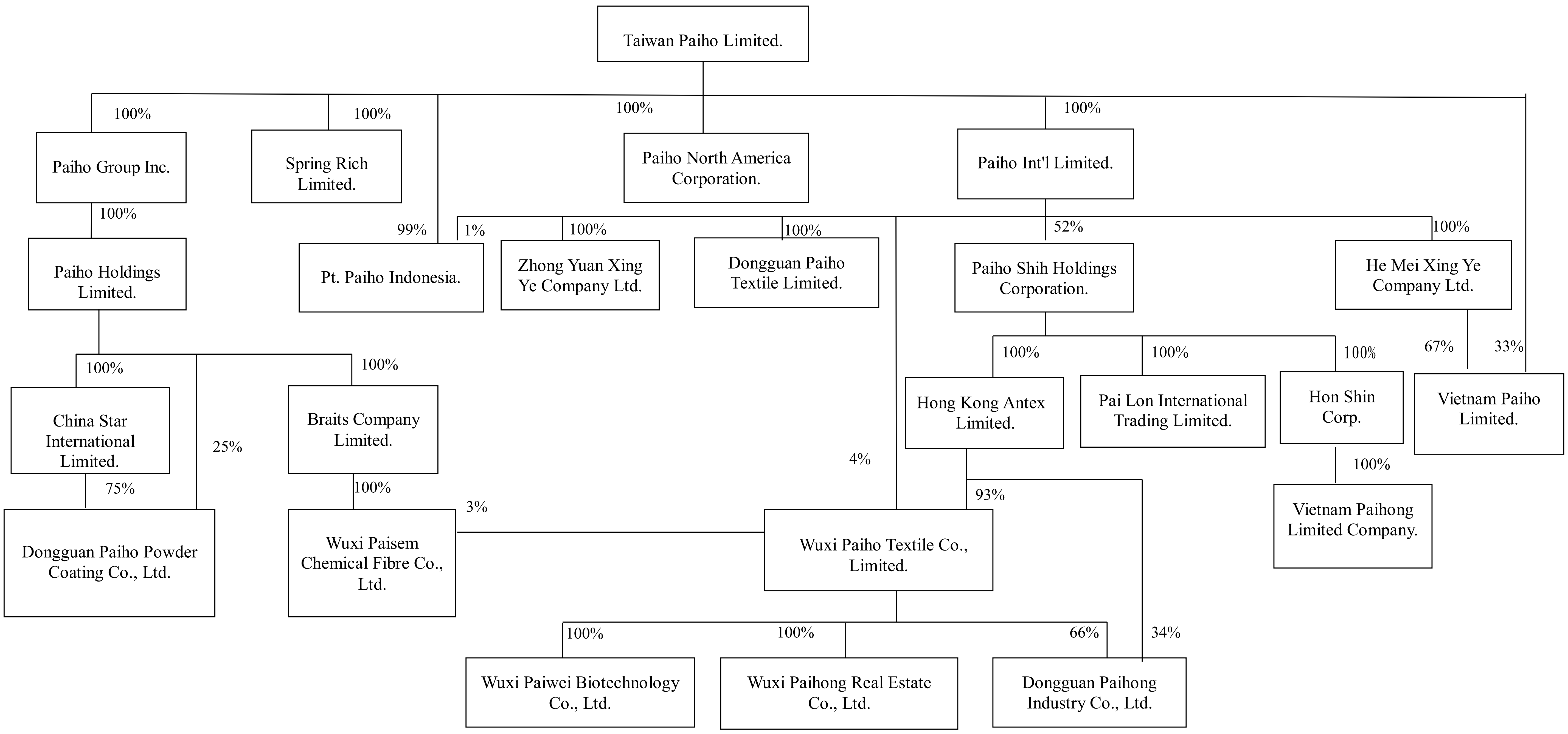
7.7 Other Important Matters: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated of Business Report of Affiliated Enterprises

1. Organizational Chart (As of December 31, 2018)



2. Basic information of the Company’s affiliated enterprises

Unit: NT$ thousands, except additional notes

Company Name	Data of Incorporation	Place of Registration	Paid-in Capital（Note）	Major Business
Paiho Int'l Limited	July,1995	British Virgin Islands	$ 1,024,915	International investment.
Dongguan Paiho Textile Limited.	November, 1992	China Dongguan	154,153	Production & marketing of touch fasteners, elastics, various type of webbings and computerized embroidery.
Spring Rich Limited.	July, 1998	Taiwan Changhua	3,000	Extra processing of webbings.
Vietnam Paiho Limited.	October,1999	Ho Chi Minh City of Vietnam	745,233	Manufacture and extra processing on touch fasteners and various type of webbings.
Paiho Group Inc.	June, 2001	British Virgin Islands	814,122	International Investment.
Paiho Holdings Limited.	June, 2001	British Virgin Islands	814,122	International Investment.
Wuxi Paiho Textile Co., Limited.	July, 2001	China Wuxi	1,719,897	Processing of touch fastener, webbing and embroidery.
China Star International Limited.	July, 2001	China Shanghai	184,218	Production & marketing of powder coating.
Dongguan Paiho Powder Coating Co.,Ltd.	January, 2004	China Dongguan	184,014	Production & marketing of powder coating.
Braits Company Limited	July, 2002	British Virgin Islands	509,912	International Investment.
Wuxi Paisem Chemical Fibre Co., Ltd.	June, 2002	China Wuxi	591,139	Production & marketing of chemical fiber.
Paiho North America Corporation.	September, 2003	California	245,720	Sales of touch fasteners and various type of webbings.
Dongguan Paihong Industry Co., Ltd.	October, 2005	China Dongguan	1,596,928	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.
Paiho Shih Holdings Corporation.	November, 2006	British Cayman Islands	2,918,316	International Investment.
Pai Lon International Trading Limited.	May, 2007	British Virgin Islands	46,073	International Trading.
Hong Kong Antex Limited.	June, 2007	Hong Kong	1,682,849	International Investment.

Company Name	Data of Incorporation	Place of Registration	Paid-in Capital （Note）	Major Business
He Mei Xing Ye Company Ltd.	January, 2007	British Samoa	499,513	International Investment.
Zhong Yuan Xing Ye Company Ltd.	January, 2007	British Samoa	115,488	International trading.
Pt. Paiho Indonesia.	March,2010	Nining Sukabumi	552,870	Production & marketing of touch fasteners, various type of webbings and elastics.
Wuxi Paihong Real Estate Co., Ltd.	January, 2013	China Wuxi	1,252,160	Commercial property management; planning consultants, sales & leasing of real estate and design decoration.
Hon Shin Corp.	June, 2016	British Samoa	2,150,050	International Investment & trading.
Vietnam Paihong Limited Company.	November, 2016	Binh Duong Province, Vietnam	2,150,050	Production & marketing of mesh and other fabrics.
Wuxi Paiwei Biotechnology Co., Ltd.	January, 2018	China Wuxi	89,440	Production and sales of masks and non-woven products; self-operation & agent in the import & export of various goods and technology.

Note:

(1) Paiho Int'l Limited Paid-In Capital US$33,368,564.

(2) Dongguan Paiho Textile Limited Paid-In Capital RMB$34,470,695.

(3) Vietnam Paiho Limited Paid-In Capital US$24,262,839.

(4) Paiho Group Inc. Paid-In Capital US$26,505,685.

(5) Paiho Holdings Limited Paid-In Capital US$26,505,685.

(6) Wuxi Paiho Textile Co., Limited Paid-In Capital RMB$384,592,275.

(7) China Star International Limited Paid-In Capital RMB$41,193,640.

(8) Dongguan Paiho Powder Coating Co., Ltd. Paid-In Capital RMB$41,148,021.

(9) Braits Company Limited Paid-In Capital US$16,601,384.

(10)Wuxi Paisem Chemical Fibre Co., Ltd Paid-In Capital RMB$132,186,640.

(11)Paiho North America Corporation Paid-In Capital US$8,000,000.

(12) Dongguan Paihong Industry Co., Ltd Paid-In Capital RMB$357,094,825.

(13) Paiho Shih Holdings Corporation Paid-In Capital NT$2,918,315,980.

(14)Pai Lon International Trading Limited Paid-In Capital US$1,500,000.

(15)Hong Kong Antex Limited Paid-In Capital HK$429,188,833.

(16) He Mei Xing Ye Company Ltd. Paid-In Capital US$16,262,839.

(17)Zhong Yuan Xing Ye Company Ltd. Paid-In Capital US$3,760,000 元.

(18)Pt. Paiho Indonesia Paid-In Capital US$18,000,000.

(19)Wuxi Paihong Real Estate Co., Ltd Paid-In Capital RMB$280,000,000.

(20)Hon Shin Corp. Paid-In Capital US$70,000,000.
(21)Vietnam Paihong Limited Company Paid-In Capital US$70,000,000.
(22)Wuxi Paiwei Biotechnology Co., Ltd. Paid-In Capital RMB$20,000,000.
(23) Exchange rates are used as follows:

USD：NTD = 1：30.715

RMB：NTD = 1：4.472

HK：NTD = 1：3.921

3. Common shareholders of the company and its subsidiaries or its affiliates with actual of deemed control: None.

4. Business scope of the company and its affiliated enterprises:

(1)Major business scope of the Company: manufactures and sells touch fastener, webbing (shoelaces), elastic, easy tape and several types of fabrics; and it also sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

(2) Major business scope of Paiho Int'l Limited: International investment.

(3) Major business scope of Dongguan Paiho Textile Limited: Production & marketing of touch fasteners, elastics, various type of webbings and computerized embroidery.

(4) Major business scope of Spring Rich Limited: Extra processing of webbings.

(5) Major business scope of Vietnam Paiho Limited: Manufacture and extra processing on touch fasteners and various type of webbings.

(6) Major business scope of Paiho Group Inc.: International investment.

(7) Major business scope of Paiho Holdings Limited: International investment.

(8) Major business scope of Wuxi Paiho Textile Co., Limited: Processing of touch fastener, webbing and embroidery.

(9)Major business scope of China Star International Limited: Production & marketing of powder coating

(10)Major business scope of Dongguan Paiho Powder Coating Co., Ltd: Production & marketing of powder coating

(11) Major business scope of Braits Company Limited: International investment.

(12) Major business scope of Wuxi Paisem Chemical Fibre Co., Ltd: Production & marketing of chemical fiber.

(13) Major business scope of Paiho North America Corporation: Sales of touch fasteners and various type of webbings.

(14) Major business scope of Dongguan Paihong Industry Co., Ltd: Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.

(15) Major business scope of Paiho Shih Holdings Corporation: International investment.

(16) Major business scope of Pai Lon International Trading Limited: International trading.

(17) Major business scope of Hong Kong Antex Limited: International investment.

(18) Major business scope of He Mei Xing Ye Company Ltd: International investment.

(19) Major business scope of Zhong Yuan Xing Ye Company Ltd: International trading.

(20) Major business scope of Pt. Paiho Indonesia: Production & marketing of touch fastener, various type of webbings and elastic.

(21)Major business scope of Wuxi Paihong Real Estate Co., Ltd: Commercial property management; planning consultants, sales & leasing of real estate and design decoration.

(22) Major business scope of Hon Shin Corp: International investment & trading.

(23) Major business scope of Vietnam Paihong Limited Company: Production & marketing of mesh and other fabrics.

(24) Major business scope of Wuxi Paiwei Biotechnology Co., Ltd: Production and sales of masks and non-woven products; self- operation & agent in the import & export of various goods and technology.

5. Rosters of directors, supervisors, managerial officers and the general manager of the Company's affiliated enterprises

December 31, 2018

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Paiho Int'l Limited	Director Director	Kuo-Ian Cheng Sen-Mei Cheng	0 0 Taiwan Paiho Limited holds 33,368,564 shares.	0% 0% 100%
Dongguan Paiho Textile Limited	Chairman Director Director	Kuo-Ian Cheng Sen-Mei Cheng Yi-Ming Lin	0 0 0 Paiho Int'l Limited investment NT$0.	0% 0% 0% 100%
Spring Rich Limited	Chairman	Kuo-Ian Cheng	0 Taiwan Paiho Limited investment NT$3,000 thousand.	0% 100%
He Mei Xing Ye Company Ltd.	Director Director Director Director Director	Sen-Mei Cheng Yi-Ming Lin Chen-Chia Cheng Chih-Yu Cheng Cheng-Tsung Cheng	0 0 0 0 0 Paiho Int'l Limited holds 16,262,840 shares.	0% 0% 0% 0% 0% 100%
Vietnam Paiho Limited	Chairman Director Director	Yi-Ming Lin Sen-Mei Cheng Chen-Chia Cheng	0 0 0 He Mei Xing Ye Company Ltd. Investment NT$546,856 thousand. Taiwan Paiho Limited investment NT$246,620 thousand.	0% 0% 0% 67% 33%
Paiho Group Inc.	Director Director	Hsin-Jung Cheng Chih-Yu Cheng	0 0 Taiwan Paiho Limited holds 26,505,685 shares.	0% 0% 100%
Paiho Holdings Limited	Director Director Director	Hsin-Jung Cheng Chih-Yu Cheng Cheng-Tsung Cheng	0 0 0 Paiho Group Inc. holds 26,505,685 shares.	0% 0% 0% 100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Wuxi Paiho Textile Co., Limited	Chairman and General Manager Director Director Director Director Supervisor Supervisor Supervisor	Kuo-Ian Cheng Chen-Chia Cheng Jian-Fang Zhu Ming-Chang Chiang Pei-Cho Chang Mei-Hui Lin Chang-Chieh Liu Qing-Biao Wu	0 0 0 0 0 0 0 0 Hong Kong Antex Limited holds 358,431,843 shares. Paiho Int'l Limited holds 16,148,537 shares. Wuxi Paisem Chemical Fibre Co., Ltd Holds 9,973,436 shares.	0% 0% 0% 0% 0% 0% 0% 0% 93% 4% 3%
China Star International Limited	Chairman Director Director	Hsin-Jung Cheng Sen-Mei Cheng Yi-Ming Lin	0 0 0 Paiho Holdings Limited investment NT$201,922 thousand.	0% 0% 0% 100%
Dongguan Paiho Powder Coating Co., Ltd.	Chairman Director Director Director Director Supervisor	Hsin-Jung Cheng Sen-Mei Cheng Yi-Ming Lin Chen-Chia Cheng Chih-Yu Cheng Cheng-Tsung Cheng	0 0 0 0 0 0 China Star International Limited investment RMB$26,033 thousand. Paiho Holdings Limited investment NT$35,720 thousand.	0% 0% 0% 0% 0% 0% 75% 25%
Braits Company Limited	Director Director Director Director Director Director	Sen-Mei Cheng Kuo-Ian Cheng Yi-Ming Lin Cheng-Wei Cheng Chih-Yu Cheng Chen-Chia Cheng	0 0 0 0 0 0 Paiho Holdings Limited holds 16,601,385 shares.	0% 0% 0% 0% 0% 0% 100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Wuxi Paisem Chemical Fibre Co., Ltd.	Chairman Director Director Director Director Director	Hsin-Jung Cheng Sen-Mei Cheng Yi-Ming Lin Kuo-Ian Cheng Chih-Yu Cheng Cheng-Tsung Cheng	0 0 0 0 0 0 Braits Company Limited investment US$17,000 thousand.	0% 0% 0% 0% 0% 0% 100%
Paiho North America Corporation	Chairman Director	Yi-Ming Lin Cheng-Wei Cheng	0 0 Taiwan Paiho Limited hold 800,000 shares.	0% 0% 100%
Dongguan Paihong Industry Co., Ltd	Chairman and General Manager Director Director Supervisor Supervisor	Kuo-Ian Cheng Sen-Mei Cheng Chiang-Tung Huang Cheng-Wei Cheng Chen-Chia Cheng	0 0 0 0 0 Wuxi Paiho Textile Co., Limited investment US$ 34,500 thousand. Hong Kong Antex Limited investment US$ 18,000 thousand.	0% 0% 0% 0% 0% 66% 34%
Paiho Shih Holdings Corporation	Chairman and General Manager Director Director Director Director Director Director Independent Director Independent Director Independent Director	Representative of Paiho Int'l Limited: Kuo-Ian Cheng Representative of Taiwan Paiho Limited: Chih-Yu Cheng Shih-Chang Ko Lien-Fa Tsai Chen-Chia Cheng Cheng-Tsung Cheng Yi-Liang Shih Yung-Fu Wu Yung-Jen Tsao Cheng-Chu Lin	150,585,552 23,631,558 0 0 0 23,760 90,059 0 6,534 0 0 0	51.6% 7.7% 0% 0% 0% 0.01% 0.03% 0% 0% 0% 0% 0%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Hong Kong Antex Limited	Director	Kuo-Ian Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Tsung Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Chih-Yu Cheng	0	0%
			Paiho Shih Holdings Corporation holds 54,334,644 shares.	100%
Pai Lon International Trading Limited	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Holdings Corporation holds 1,500,000 shares.	100%
Zhong Yuan Xing Ye Company Ltd	Director	Sen-Mei Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Chih-Yu Cheng	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Int'l Limited holds 3,760,000 shares	100%
Pt. Paiho Indonesia	Chairman	Chih-Yu Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Ming-Tsung Shih	0	0%
	Director	Yu Mo	0	0%
	Supervisor	Kuei-Chu Yeh	0	0%
			Taiwan Paiho Limited holds 178,200 shares.	99%
			Paiho Int'l Limited holds 1,800 shares.	1%
Wuxi Paihong Real Estate Co., Ltd.	Chairman	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Yi-Liang Shih	0	0%
	Supervisor	Mei-Hui Lin	0	0%
			Wuxi Paiho Textile Co., Limited investment RMB$280,000 thousand.	100%
Hon Shin Corp.	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Holdings Corporation holds 70,000,000 shares	100%
Vietnam Paihong Limited Company	Chairman	Kuo-Ian Cheng	0	0%
	Director	Yun-Yun Cheng	0	0%
	Director	Yu-Min Chang	0	0%
	Supervisor	Hsin-Jung Cheng	0	0%
			Hon Shin Corp. investment US$70,000 thousand.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Wuxi Paiwei Biotechnology Co., Ltd.	Chairman Director Director Supervisor	Kuo-Ian Cheng Chen-Chia Cheng Ming-Chang Chiang Jian-Fang Zhu	0 0 0 0 Wuxi Paiho Textile Co., Limited investment RMB$20,000 thousand.	0% 0% 0% 0% 100%

6. Operational highlights of the Company's affiliated enterprises

December 31, 2018

Unit: NT$ thousands, except EPS (NT$)

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Sales	Profit from Operations (Loss)	Net Profit (Loss)	Basic Earnings Per Share
Taiwan Paiho Limited	$2,979,639	$12,082,174	$3,305,219	$8,776,955	$3,822,629	$ 663,741	$1,360,306	$4.57
Paiho Int'l Limited	1,024,915	5,704,033	123,099	5,580,934	769,060	690,321	701,023	-
Dongguan Paiho Textile Limited	154,153	167,415	1,142	166,273	0	(9,525)	(3,966)	-
Spring Rich Limited	3,000	5,269	513	4,756	915	(109)	263	-
Vietnam Paiho Limited	745,233	5,101,327	1,729,448	3,371,879	3,944,487	1,058,405	894,819	-
Paiho Group Inc.	814,122	929,788	0	929,788	40,367	40,367	40,367	-
Paiho Holdings Limited	814,122	929,818	0	929,818	41,802	41,628	40,367	-
Wuxi Paiho Textile Co., Limited	1,719,897	6,279,572	437,945	5,841,627	2,180,124	386,290	825,077	-
China Star International Limited	184,218	381,188	22,347	358,841	189,284	2,646	13,952	-
Dongguan Paiho Powder Coating Co., Ltd.	184,014	267,929	44,198	223,731	191,251	11,044	15,603	-
Braits Company Limited	509,912	472,060	0	472,060	27,294	27,294	27,294	-
Wuxi Paisem Chemical Fibre Co., Ltd.	591,139	477,200	5,491	471,709	0	(4,485)	26,310	-
Paiho North America Corporation	245,720	247,731	28,287	219,444	260,526	(5,883)	(14,686)	-
Dongguan Paihong Industry Co., Ltd	1,596,928	3,200,809	447,229	2,753,580	2,252,063	336,738	310,822	-
Paiho Shih Holdings Corporation	2,918,316	15,036,017	9,839,437	5,196,580	5,992,847	761,802	373,641	1.09
Hong Kong Antex Limited	1,682,849	6,427,783	325,143	6,102,640	886,169	886,169	822,269	-

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Sales	Profit from Operations (Loss)	Net Profit (Loss)	Basic Earnings Per Share
Pai Lon International Trading Limited	46,073	507,896	586,733	(78,837)	1,197,954	(78,423)	(60,370)	-
He Mei Xing Ye Company Ltd.	499,513	2,260,096	0	2,260,096	599,784	599,784	599,784	-
Zhong Yuan Xing Ye Company Ltd.	115,488	50,452	20,476	29,976	96,432	(24,987)	(27,991)	-
Pt. Paiho Indonesia	552,870	1,593,031	1,259,782	333,249	593,636	(3,459)	(39,632)	-
Wuxi Paihong Real Estate Co., Ltd.	1,252,160	4,307,029	2,877,271	1,429,758	1,523,930	343,183	250,428	-
Hon Shin Corp.	2,150,050	2,705,825	1,105,192	1,600,633	300,612	(112,196)	(432,005)	-
Vietnam Paihong Limited Company	2,150,050	5,459,266	3,696,013	1,763,253	38,728	(243,859)	(295,661)	-
Wuxi Paiwei Biotechnology Co., Ltd.	89,440	88,026	5,276	82,750	0	(7,727)	(6,817)	-

Note: For information on capital stock and exchange rate, please refer to page 283-284.

8.1.2 Consolidation of Financial Statements of Affiliated Enterprises s

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

8.1.3 Affiliation Reports: None.

Declaration of Consolidation of Financial Statements of Affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Taiwan Paiho Limited

Chairman: Sei-Mei Cheng

March 14, 2019

8.2 Private Placement of Securities in the Recent Year and Up to the Annual Report Publication Date, Disclose the Date on which the Placement was Approved by the Board of Directors or by Shareholders Meeting, the Amount Thus Approved, the Basis for and Reasonableness of the Pricing, the Manner in which the Specified Persons were Selected, the Reasons why the Private Placement Method was Necessary, the Targets of the Private Placement, Their Qualifications, Subscription Amounts, Subscription Price, Relationship with the Company, Participation in the Operations of the Company, Actual Subscription (or Conversion) Price, the Difference between the Actual Subscription (or Conversion) Price and the Reference Price, the Effect of the Private Placement on Shareholders' Equity, and, for the Period from Receipt of Payment in Full to the Completion of the Related Capital Allocation Plan, the Status of Use of the Capital Raised through the Private Placement of Securities, the Implementation Progress of the Plan, and the Realization of the Benefits of the Plan:

None.

8.3 Holding or Disposal of Shares in the Company by Subsidiaries in the Recent Year and Up to the Annual Report Publication Date:

None.

8.4 Additional Description Required to be Disclosed:

None.

8.5 Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Subparagraph 2, Paragraph 3 of Article 36 of Securities and Exchange Act:

None.

Taiwan Paiho Limited

Chairman Sei-Mei Cheng