



# **TAIWAN PAIHO LIMITED**

## **2020 Annual Report (Translation)**

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**Annual Report is available at : : [http : //mops.twse.com.tw](http://mops.twse.com.tw)  
[http : //www.paiho.com](http://www.paiho.com)**

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 Name 1 : Dongguan Paiho Textile Limited. Tel : +86-769-88745111  
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 Name 2 : Dongguan Paihong Industry Co., Ltd. Tel : +86-769-88745111  
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 Not applicable.
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## I. Letter to Shareholders

We welcome our shareholders who are attending the Annual General Shareholders' Meeting and do thank you for your long-term trust and support. The global economy withered under the influence of COVID-19 in 2020. The Company is no exception in terms of sales. Yet, we still gained minor growth as compared with the same period of 2019 under the effort of all to their entirety, which is remarkable.

The Company's 2020 business operations and 2021 business plan is reported as follows:

### 1.1 2020 Business Report

#### 2020 Annual Business Report

##### 1.1.1 Business Implementation Outcome

Unit: NT\$ thousands

Item	2020	2019	Difference Amount	Difference (%)
Net Sales	\$14,654,277	\$15,299,654	(\$ 654,377)	-4.3
Gross Profit	5,375,925	5,467,887	( 91,962)	-1.7
Profit from Operations	2,809,032	2,758,589	50,443	1.8
Profit Before Income Tax	2,683,582	2,536,429	147,153	5.8
Net Profit	1,800,435	1,696,040	104,395	6.2
Net Profit Attributable to Owners of the Corporation	1,551,805	1,522,184	29,621	1.9

##### Change and Difference Analysis:

The demand in the market fell in 2020 due to the influence of COVID-19 that resulted in the decline of net revenue and gross profit as compared with the same period of 2019. The decrease of development expenses, the control of other expenditures, and the low interest rate for borrowing helped to reduce the operating expense and interest expense, to the effect that operating income and net income increased as compared with the same period of 2019.

1.1.2 Budget Execution: For the year of 2020, the Company has not established a financial forecast.

### 1.1.3 Financial Revenue/Expenditure and Profitability Analysis

Item \ Year		2020	2019
Capital Structure	Debt Ratio (%)	60.8	57.8
	Long-term Funds to Property, Plant and Equipment Ratio (%)	158.6	137.7
Liquidity	Current Ratio (%)	140.8	118.7
	Quick Ratio (%)	94.1	67.8
Profitability	Return on Total Assets (%)	6.6	7.1
	Return on Equity Attributable to Owners of the Corporation (%)	14.9	14.9
	Net Profit Margin (%)	12.3	11.1
	Earnings Per Share (NT\$)	5.21	5.11

### 1.1.4 Research and Development

#### 1. Application of Jacquard Digital Woven Fabric

Paiho made use of the special properties of yarn to weave out wool-feel woven fabrics, which can be used in conjunction with the ejected loop hook and sticker strip to replace the brand LOGO at time. This product highlights personal character. In addition, the Company also presents the fine high-grade jacquard trademark to replace the clumsy traditional computer-assist embroidery and screen print. In this season, the Company presents the fine yarn woven trademark to show exceptional luster, matching with the use of the loop hook and sticker strip for easy replacement of the brand LOGO in high frequency. It could also be used with hot melt adhesive for pressing on sportswear to show the refinement of the brand.

#### 2. Planned Development of New Products

The annual planned development in 2021 for new products of the Company include: From Line to Shape, CMYK Digital Printing Process, Reflective Series and Recycle Series.

## 1.2 2021 Business Plan Overview

### 1.2.1 Operational Strategy

1. COVID-19 affected national sports events and outdoor leisure life of the people significantly. Many games had to be postponed or even canceled. The mode of sale of the brand names also changed into online marketing due to the constraints of the physical channels. This helped to fortify the digital connection between the consumers and the enterprises, and improve consumption over the eCommerce platform. This is indeed a new strategy for marketing of the brands. The Company also adjusted the marketing strategy in response to the changes in the market. Further to the planning for digital catalogue and online audiovisual promotion to allow for the variety and diversify content of the website, the Company also built a digital 3D sample/sample image to allow the brand customers to understand the application of the new materials and map out the direction of design. This helped to bolster real-time interaction and frequency of liaison with the brand customers.
2. The severity of the pandemic and the sustained US–China trade war compelled the international brands and manufacturers to adjust their allocation of production capacity all over the world. As a result, the Company will continue to strengthen the diversity of production capacity and finishing technology of the Company and the overseas locations to serve the customers in the nearby vicinity with one-stop shopping service.
3. The EU pronounced the green Europe agenda at the end of 2019. It was echoed with the worldwide appeal to carbon and waste reduction, cyclical economy, green chemistry and sustainability. The Company will spare no effort in advocating the pursuit of rules and regulations for environmental protection in conforming to the standard of ZDHC, and increase the proportion of using environmentally friendly yarns for environmental protection and perform the corporate social responsibility in sustainability.
4. It will continue the effort in innovation and research and development, increase diversified products in the existing market, longitudinally extend the post-processing of each product and constantly develop new markets and new applications, including wearable 3C products, automobiles, aerospace, medical, toys, military supplies and other industrial applications.



5. There is a huge domestic market in Mainland China such that many shoe manufacturers in Mainland China furthered their cooperation with local brands there in greater depth. For this reason, the Company and its subsidiaries will strengthen its innovative development and interaction with the local brands in Mainland China.
6. The Company will continue to strengthen the know-how for the production of jacquard digital woven fabric and jacquard engineered mesh and the training of professional designers to make the vertical production of shell fabrics perfect and create better opportunity for sales.

#### 1.2.2 Expected Sales Quantity and its Basis

The Company continues to diversify its production and product sales. The products processing is likewise diversifying. Therefore, the Company services many types of customers in the market. The breadth of the Company's operations has already exceeded those of the competitors for the relevant products; also, the Company has managed to earn the recognition of major brands. The interaction with the major sports brands in footwear industry and garments industry for years has already laid a good foundation for the Company's business operation. Especially, the Company has already enhanced the product items, production capacity, and production skills in Vietnam and Indonesia, which is almost in place. The visionary policy planning of the Company helped to vitalize the diversity of the overseas facilities in production capacity and the equipment and skills for finishing in order to secure the very opportunity for working in cooperation with famous international brands in the development of new products. As a result, the operation of shoes and garments is in stable growth on solid ground. In other areas of product application and business development, the result will be obvious in this year. The alleviation of the spread of the pandemic will help to bring about recovery for different industries. Games and sports are expected to resume such that sale of all items will resume with growth in sales volume.

#### 1.2.3 Important Production and Marketing Policies

1. Active development of different types of environmentally friendly yarns for use in shoes, webbings, pull strings and shoe vamp and to continually support the global trend of environmental protection.

2. Making the digital catalogue perfect to sketch out the 3D sample/sampling system to maintain the development and interaction of audiovisual materials for the brand, and provide customers an online platform for selection and simulated design. Establishing different marketing modes and continuing to strengthen the interaction with brand customers to optimize the opportunity for development with brand customers and other customers through concerted effort.
3. The Group's business items are diversifying; the sales items are extended to the processing services; a project marketing strategy is formulated for each special product; and a project sales team is established to increase added value and improve sales performance.
4. Due to labor shortages and wage increases in various sports production areas in recent years, the Company will continue to take advantage of its know-how for improvement of the automated production process, and switch from simple materials trading to the production and sale of diversified composite finished products in order to reduce labor costs and material losses; also, provide customers with multiple product choices to achieve a reciprocal and win-win situation.
5. Enhancement of production flexibility and quick response in production and delivery to deal with the changes in the mode of sale and continue to bolster the competitive power.

#### 1.2.4 The Company's Future Development Strategy

1. With the diversity of product lines for selling and the years of experience in joint ventures with brand customers, the Group could keep its existing market and continue to expand the areas of application for its diversity of products for sustainable growth.
2. Alignment with the trend of popular brands and extension to different forms of finishing in order to provide a full range of services and emerge as the best and most intimate strategic partner of the famous brands.
3. Continued development of the market in Mainland China and fortifying the deployment in Southeast Asia to form a clustering effect in the local markets of shoes and garments. Strengthen the capacity in production in all locations and establish service locations on the basis of the market situation assessment for condensing the delivery lead-time and providing services to the customers quickly for their needs.
4. Actively develop various environmentally friendly or recycled materials for the reference of major branding customers. Strengthen materials supplier management; continue to make improvement in the areas of prohibited chemicals, ZDHC rules, energy saving and waste reduction, green energy, reduction of greenhouse gases to perform corporate social responsibility to its entirety.
5. Integration and utilization of Group resources for the streamlining of human resources, stabilizing quality and reducing cost in order to improve profits for the Group.

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

A healthy competition in the market is the driving force for continuous progress. Although there is a severe competition in the main materials and accessories industry where the Company is engaged in, but it is mostly for single-item competition. Furthermore, the Company has accumulated years of experience and technology in the processing stage of each item and helped resolve project issues from the viewpoint of customers. The Company has formed a business model for the sale of materials and has had sufficient equipment and technology to become a partner of brand customers in design and processing with the trust of customers in various industries earned. Therefore, the Company has a relatively competitive advantage in the industry that is the basis for the Company's sustainable operations.

In addition, the Company values environmental protection and human rights. Each product is manufactured in accordance with RSL and EU REACH and ROHS regulations; also, meets the requirements of being non-toxic, harmless, chemical-free and heavy metal pollution-free of various international brands. The Company has setup production and sales offices in Taiwan, Wuxi and Dongguan in China, Vietnam, and Indonesia. Also, a service office is setup in Portland, USA to make a direct contact with the headquarters of international brands. Overseas plants, in response to the deployment of local customers, are with service bases setup nearby to provide customers with the fastest and best service. The Company's business model is beyond the reach of the peers in this industry, which is an excellent advantage for the Company's sustainable development.

The Company will persist in the corporate philosophy of sustainability through "Quality Assurance for Innovative Development," "Post-Delivery Service to Customer Satisfaction," "Reasonable Pricing from Cost Reduction," and "Pursuit of Corporate Social Responsibility" in order to lay down a sound foundation and achieve distinguished competitive advantage.

Chairman:  
Sen-Mei Cheng

General Manager:  
Cheng-Wei Cheng

Accounting Officer:  
Yao-Da 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, was established in 1979, production of touch fastener and elastic.
	2. Velcro (Nasdaq SC: VELCF) has teamed up with San Ho Shin Limited to established TAIWAN PAIHO LIMITED.
1990	1. Velcro (Nasdaq SC: VELCF) was dissolved on June 30, 1990 with the stock shares sold to domestic shareholders.
1997	1. The Company indirectly acquired the Dongguan Paiho Textile Limited (Dongguan Paiho Company) in China with 100% equity obtained.
1999	1. Invested and setup Vietnam Paiho Limited (Vietnam Paiho Company) in Vietnam with 100% equity obtained.
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 and setup Wuxi Paiho Textile Limited (Wuxi Paiho Company) in China with 100% equity obtained.
2003	1. Dongguan Paiho Company reinvested in China Star International Limited (China Star Company) in China with 51% equity obtained.
2004	1. In order to expand the North American market, invested and setup Paiho North America Corporation (Paiho North America Company) in United States California with 100% equity obtained.
	2. The Company indirectly invested in Wuxi Paisem Chemical Fibre Co., (Wuxi Paisem Company) in China with 33.3% equity obtained.
	3. Dongguan Paiho Company invested in Dongguan Paiho Powder Coating Co., Ltd (Dongguan Powder Company) with 75% equity obtained.
2005	1. The Company indirectly invested and setup Dongguan Paihong Industry Co., Ltd (Dongguan Paihong Company) with 100% equity obtained.
	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. (Paiho Holdings Company), which was invested in by Paiho Group Inc (Paiho Group Company).
	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 Paiho Holdings Company, which was invested in by Paiho Group Company.

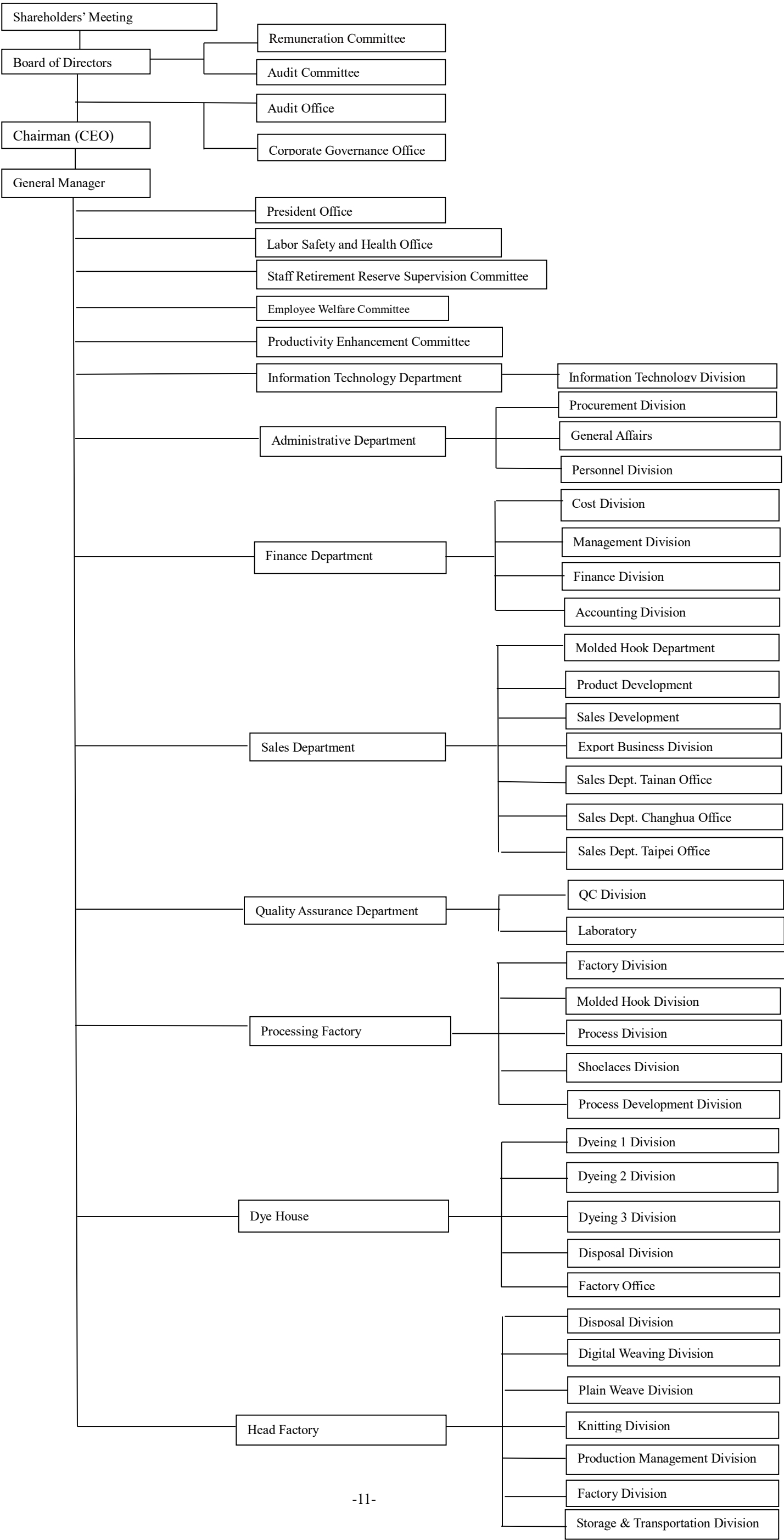
Year	Events
2007	1. The structure of the investment in Wuxi Paiho Company has been changed. Instead, the Company has invested in Paiho Int'l Limited (Paiho Int'L Company), which has then invested in Paiho Shih Holdings Corporation (Paiho Shih Company.) in the British Cayman Islands, and then invested in Hong Kong Antex Limited (Hong Kong Antex Company) 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 Company.
	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 introduced external shareholders and had the company restructured with a shareholding system implemented; also, it was renamed as "Wuxi Paiho Co., Ltd." with 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 Company that is invested in by Paiho Int'l Company 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 Company, the 25% equity of Dongguan Paihong Company originally held by the Company through Pai Shin Corp. is now held by Hong Kong Antex Company, 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 Company, the Company has increased its shareholding of Wuxi Paiho Company to 97.4% indirectly.
	2. The Company and Paiho Int'l Company indirectly invested in Pt. Paiho Indonesia (Paiho Indonesia Company) with 99% and 1% equity obtained, respectively.

Year	Events
2010	3. On December 30, Paiho Shih Company was approved by the TWSE, become a first oversea company, and stock listed on TWSE since May 18, 2011.
2011	1. The Company acquired 99% equity of Paiho Indonesia Company held by Zhong Yuan Xing Ye Company Ltd (Zhong Yuan Xing Ye Company). 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 Company) with 100% equity obtained. 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 Multi Directional Textile with Elasticity and Jacquard Digital Woven Fabric products, to enter the main material market.
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 (Hon Shin Company) with 100% equity obtained.
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) with 100% equity obtained. 2. Certified with Aerospace Industry AS9100.

Year	Events
2018	3.Awarded the bronze medal for the talent development quality management system of the Workforce Development Agency, Ministry of Labor.
2019	1. Certified with ISO14001: 2015 Quality Control System Certification of easy tape.
2020	1. Paiho Shih Company invested in Taiwan Pai Lon Biotechnology Co., Ltd (Taiwan Pai Lon Company) with 100% equity obtained.

III. Corporate Governance Report

3.1 Organization  
3.1.1 Organizational Chart





### 3.1.2 Responsibilities of Main Departments

Department	Primary Responsibility
Board of Director	Be responsible to the Shareholders' Meeting, 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 solutions.
Corporate Governance Officer	The Corporate Governance Officer of the Company is charged with the duties of handling all matters pertinent to the convention of the Board and General Meeting of Shareholders, preparation of the minutes of meetings of the Board and the Shareholders on record, assistance to the Director in assuming office and continuing education, supply of information required by the Directors in performing their functions, assistance to the Directors in law compliance for the protection of the rights and privileges of the shareholders, fortification of the function of the Board, respecting the rights and privileges of the stakeholders, enhancement of information transparency, and vitalization of the system of corporate governance.
President Office	<ol style="list-style-type: none"> <li>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.</li> <li>2. The promotion of quality policy control and product after-sales service organization business.</li> </ol>
Information Technology Department	Planning and development of the Company's information operating system and the maintenance and repair of the related software and hardware.
Administrative Department	<ol style="list-style-type: none"> <li>1. Handle the appointment, attendance, business leave, education and training, performance evaluation, reward and punishment, resignation and welfare of the Company's personnel; and provide administrative and general affairs support to each department.</li> <li>2. Plan the warehousing layout of the Company.</li> <li>3. Procurement of raw materials, supplies and machinery equipment and import and export customer declaration operations.</li> <li>4. Management and maintenance of Assets.</li> </ol>

Department	Primary Responsibility
Finance Department	<ol style="list-style-type: none"> <li>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.</li> <li>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 problems and the preparation of financial statements.</li> <li>3. Matters related to collection and payments.</li> </ol>
Sales Department	The promotion of the Company's products and business, including the head office, Taipei office and Tainan office have sales departments.
Head Factory	<ol style="list-style-type: none"> <li>1. Manufacturing and production of elastics.</li> <li>2. Development, manufacturing and production of various type of webbings.</li> </ol>
Dye House	<ol style="list-style-type: none"> <li>1. Post-processing of various type touch fasteners.</li> <li>2. Dyeing and finishing of touch fastener related products.</li> </ol>
Quality Assurance Department	<ol style="list-style-type: none"> <li>1. Establish quality system and promoting quality system.</li> <li>2. Quality control and inspection of raw materials to the finished products.</li> <li>3. Textile tests and various processed wearable products tests that have been certified by major sports brand customers.</li> </ol>
Processing Factory	<ol style="list-style-type: none"> <li>1. Research and development, manufacturing and processing of easy tapes related products.</li> <li>2. Manufacturing, production and processing of shoelaces.</li> <li>3. Various type of webbings, custom embossing services and printing processing.</li> <li>4. Development, manufacturing and processing of reflective products.</li> <li>5. Research and development of various processes and equipment.</li> </ol>

### 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

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	Ratio	Ratio	Shares	Ratio
Chairman	R.O.C.	Sen-Mei Cheng	Male	June 10, 2020	3	February 28, 1990	4,943,976	1.66%	4,943,976	1.66%	160,000	0.05%	9,282,856	3.12%
Vice Chairman	R.O.C.	Yi-Ming Lin	Male	June 10, 2020	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.	Everise Investment Co., Ltd.	Male	June 10, 2020	3	June 10, 2020	9,282,856	3.12%	9,282,856	3.12%	0	0.00%	0	0.00%
	R.O.C.	Representative: Cheng-Wei Cheng		June 10, 2020	3	June 15, 2017	5,899,553	1.98%	5,899,553	1.98%	360,551	0.12%	0	0.00%
Director	R.O.C.	Hsi-Ming Pai	Male	June 10, 2020	3	June 27, 2002	697,821	0.23%	697,821	0.23%	2,874	0.00%	0	0.00%
Director	R.O.C.	Yi-Lun Cheng	Female	June 10, 2020	3	June 10, 2020	2,593,021	0.87%	2,593,021	0.87%	0	0.00%	0	0.00%
Director	R.O.C.	Hsin-Jung Cheng	Male	June 10, 2020	3	June 10, 2015	5,014,344	1.68%	5,014,344	1.68%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Jui-Lin Lo	Male	June 10 2020	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 10, 2020	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 10, 2020	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%

April 19, 2021

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Directors and Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
Chairman	Sen-Mei Cheng	<ul style="list-style-type: none"> <li>• Pei-Ying Elementary School.</li> <li>• Director of Business, Song Dian Vehicle Co., Ltd.</li> <li>• General Manager of Taiwan Paiho Limited.</li> </ul>	Note 1	Vice Chairman Corporate Director Executive Vice General Manager	Yi-Ming Lin Cheng-Wei Cheng Cheng-Tsung Cheng	The Second Degree The First Degree The First Degree	Note 5
Vice Chairman	Yi-Ming Lin	<ul style="list-style-type: none"> <li>• Department of Business Administration, Tamkang University</li> <li>• Senior Manager of Sales Department, Taiwan Paiho Limited.</li> </ul>	Note 2	Chairman	Sen-Mei Cheng	The Second Degree	None
Director	Everise Investment Co., Ltd.	<ul style="list-style-type: none"> <li>• Department of Statistics, Macquarie University.</li> <li>• Vice General Manager of President Office, Taiwan Paiho Limited.</li> </ul>	Note 3	Chairman Executive Vice General Manager	Sen-Mei Cheng Cheng-Tsung Cheng	The First Degree The Second Degree	Note 5
	Representative: Cheng-Wei Cheng						
Director	Hsi-Ming Pai	<ul style="list-style-type: none"> <li>• Lukang Senior High School.</li> <li>• Director of Century Storage Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Chin Ifeng Industrial Co., Ltd.</li> <li>• Chairman of Chin Jinfeng Chemical Industrial Co., Ltd.</li> </ul>	None	None	None	None
Director	Yi-Lun Cheng	<ul style="list-style-type: none"> <li>• Department of Accounting, Macquarie University.</li> <li>• Assistant Director of Taiwan Paiho Limited.</li> </ul>	<ul style="list-style-type: none"> <li>• Manger of Taiwan Paiho Limited.</li> <li>• Director of Pt. Paiho Indonesia.</li> </ul>	None	None	None	None
Director	Hsin-Jung Cheng	<ul style="list-style-type: none"> <li>• Bachelor of Business (Management), Queensland University of Technology.</li> <li>• Special Assistant of Chairman, Dongguan Paihong Company.</li> </ul>	Note 4	None	None	None	None
Independent Director	Jui-Lin Lo	<ul style="list-style-type: none"> <li>• Bachelor of Accounting, Chung Yuan Christian University.</li> <li>• CPA, Deloitte &amp; Touche.</li> </ul>	<ul style="list-style-type: none"> <li>• CPA, Hsu Cheng Certified Public Accountant.</li> <li>• Independent director and member of Remuneration Committee, Giant Manufacturing Co., Ltd.</li> <li>• Independent director and member of Remuneration Committee, WFE Technology Corp.</li> </ul>	None	None	None	None

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Directors and Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
Independent Director	Chung-Cheng Wang	<ul style="list-style-type: none"><li>• Department of administration, National Taichung College of Business.</li><li>• Vice Chairman and General Manager of Sweeten Real Estate Development Co., Ltd.</li><li>• Director of Construction Company.</li><li>• Senior Manager of Tah Hsin Industrial Co., Ltd.</li><li>• Supervisor of Tah Hsin Corporation, Japan.</li><li>• The 10<sup>th</sup> Chairman of Taichung Real Estate Development Association.</li><li>• The 12<sup>th</sup> President of Taichung Builders, Club.</li><li>• The 15<sup>th</sup> President of the Listed Elite Association in Central China.</li><li>• The 10<sup>th</sup> President of the Rotary Corporation Club of Taichung North-West.</li><li>• The Founding Executive Director and 5<sup>th</sup> Chairman of the Taiwan Action Buddha Society.</li></ul>	<ul style="list-style-type: none"><li>• Chairman of Huahsiang Construction Co., Ltd.</li><li>• Director of Pinda Investment Co., Ltd.</li><li>• Director of Sweeten Education Foundation.</li><li>• Taichung Real Estate Development Association - Member of the Policy Discussion and Promotion Committee.</li><li>• Consultant of Taichung Lifeline.</li></ul>	None	None	None	None
Independent Director	Chia-Yu Chen	<ul style="list-style-type: none"><li>• Bachelor of Accounting, Providence University.</li><li>• Master of Finance Institute, National Chiao Tung University.</li><li>• Audit Team In-charge, PwC Taiwan.</li><li>• Director of Audit, Taiwan Paiho Limited.</li></ul>	<ul style="list-style-type: none"><li>• Assistant Manager of Finance Department, Elite Semiconductor Memory Technology Inc.</li></ul>	None	None	None	None

Note:

1. Chairman and CEO of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Company, Director of China Star Company, Director of Dongguan Powder Company, Director of He Mei Xing Ye Company Ltd (He Mei Xing Ye Company), Chairman of Vietnam Paiho Company, Director of Braits Company Limited (Braits Company), Director of Wuxi Paisem Company, Director of Zhong Yuan Xing Ye Company Ltd, and Director of Paiho Indonesia Company.
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, Director of Zhong Yuan Xing Ye Company Ltd, Director and General Manager of Vietnam Paiho Company, Director of Braits Company, Chairman of Paiho North America Company, Director of Hong Kong Antex Company, Director of Wuxi Paisem Company, and Director of Paiho Indonesia Company.
3. Director and General Manager of the Company, Director of Paiho North America Company, Director of Braits Company, and Supervisor of Dongguan Paihong Company.
4. Vice General Manager of Paiho Shih Company, Chairman of China Star Company, Chairman of Dongguan Powder Company, Chairman of Wuxi Paisem Company, Director of Paiho Group Company, Director of Paiho Holdings Company and Supervisor of Vietnam Paihong Company.
5. If the Chairman of the Company and the General Manager or equivalent (the top managerial officer) are the same person, relatives of each other such as, spouse or the relative in the 1<sup>st</sup> degree of kinship, should explain the reasons, rationality, necessity and corresponding measures:

The Chairman and the General Manager are related to the 1<sup>st</sup> degree of kinship, which is for the purpose of improving operating efficiency and decision-making process. However, in order to strengthen the independence of the Board of Directors, the Company intends to increase the number of independent directors in the future to enhance the functions of the Board of Directors and to strengthen its supervisory functions. The specific measures of the Company are as follows:

- (1) The current three independent directors are specialists in the fields of finance, accounting and industry; also, they can effectively exercise their supervisory functions.
- (2) Arrange continuing education for board directors every year to enhance the operating efficiency of the Board of Directors.
- (3) Independent directors can fully discuss and make recommendations in each functional committee for the references of board directors in order to implement corporate governance.

#### Major Shareholder of the Institutional Shareholder

April 19, 2021

Name of the Institutional Shareholder	Major Shareholder
Everise Investment Co., Ltd.	Sen-Mei Cheng (13.33%) A-Wei Chen Cheng(55.83%) Cheng-Wei Cheng (13.21%) Cheng-Tsung Cheng (13.21%) Chia-Yin Cheng (4.42%)

# Independent Information of Directors

Name	Requirements	Meet 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	11	12	
Sen-Mei Cheng			✓						✓	✓			✓		✓	✓	0
Yi-Ming Lin			✓						✓	✓	✓		✓		✓	✓	0
Everise Investment Co., Ltd. : Representative: Cheng-Wei Cheng			✓						✓	✓		✓	✓		✓		0
Hsi-Ming Pai			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yi-Lun Cheng			✓						✓	✓	✓		✓	✓	✓	✓	0
Hsin-Jung Cheng			✓						✓	✓	✓		✓	✓	✓	✓	0
Jui-Lin Lo	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chung-Cheng Wang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chia-Yu Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: 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 or any of its affiliates. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (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 issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that ranks among the top five in shareholdings or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the “Company Act”. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.

- (7) Not the chairman, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses who is a director (or governor), supervisor, or employee of that other company or institution. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (8) 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. However, if a particular company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company and an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (9) Not a professional individual who, or an owner, partner, director(executive director), supervisor (member of the supervisory board), 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, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NTD500,000” ; provided, this restriction does not apply to a member of the Compensation Committee, public tender offer review committee or special committee for merger/consideration and acquisition, who exercises powers pursuant to the “Securities and Exchange Act “or to the “Business Mergers and Acquisitions Act “or relevant laws and regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the “Company Act”.
- (12) 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

April 19, 2021

Title	Nationality	Name	Gender	Date Effective	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)
CEO	R.O.C.	Sei-Mei Cheng	Male	August 9, 2017	4,943,976	1.66%	160,000	0.05%	9,282,856	3.12%
General Manager	R.O.C.	Cheng-Wei Cheng	Male	August 9, 2017	5,899,553	1.98%	360,551	0.12%	0	0.00%
Executive Vice General Manager, Sales Department	R.O.C.	Cheng-Tsung Cheng	Male	August 9, 2017	5,763,424	1.93%	208,840	0.07%	0	0.00%
Vice General Manager, 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, President Office	R.O.C.	Kuei-Chu Yeh	Female	March 3, 2015	112,588	0.04%	0	0.00%	0	0.00%
Senior Manager, Product Development	R.O.C.	Huan-Tung Tseng	Male	January 1, 2005	14,066	0.00%	6,179	0.00%	0	0.00%
Senior Manager, Processing Factory	R.O.C.	Tung-Yu Huang	Male	April 17, 2018	46,740	0.02%	0	0.00%	0	0.00%
Senior Manager, Head Factory	R.O.C.	Hui-Huang Huang	Male	April 17, 2018	0	0.00%	0	0.00%	0	0.00%
Senior Manager, Sales Department	R.O.C.	Kuo-Chih Lai	Male	July 1, 2012	24,492	0.01%	0	0.00%	0	0.00%
Project Senior Manager, Sales Department	R.O.C.	Mei-Ting Yang	Male	August 1, 2012	3,000	0.00%	21,000	0.01%	0	0.00%
Vice Senior Manager, Finance Department	R.O.C.	Yao-Da Huang	Male	February 15, 2011	10,000	0.00%	1,210	0.00%	0	0.00%
Vice Senior Manager, Sales Development	R.O.C.	Po-Hsun Huang	Male	March 14, 2016	0	0.00%	0	0.00%	0	0.00%
Manager, Quality Assurance Department	R.O.C.	Hsing-Ju Chiang	Female	October 1, 2014	0	0.00%	0	0.00%	0	0.00%
Manager of Information Technology Department	R.O.C.	Hung-Chang Cheng	Male	January 11, 2005	65	0.00%	588	0.00%	0	0.00%
Deputy Factory Director, Dye House	R.O.C.	Ming-Yen Lin	Male	February 5, 2014	13,000	0.00%	8,101	0.00%	0	0.00%
Assistant Manager, Audit Office	R.O.C.	Mei-Chin Hsin	Female	January 1, 2020	3,274	0.00%	0	0.00%	0	0.00%
Corporate Governance Officer- Special Assistant	R.O.C.	Yi-Wen Liao	Female	March 24, 2021	0	0.00%	0	0.00%	0	0.00%

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
CEO	Sei-Mei Cheng	<ul style="list-style-type: none"> <li>• Pei-Ying Elementary School.</li> <li>• Director of Business, Song Dian Vehicle Co., Ltd.</li> <li>• General Manager, Taiwan Paiho Limited.</li> </ul>	Note 1	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	Note 5
General Manager	Cheng-Wei Cheng	<ul style="list-style-type: none"> <li>• Department of Statistics, Macquarie University</li> <li>• Vice General Manager of President Office, Taiwan Paiho Limited.</li> </ul>	Note 2	Chairman Executive Vice General Manager	Sei-Mei Cheng Cheng-Tsung Cheng	The First Degree The Second Degree	Note 5
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng	<ul style="list-style-type: none"> <li>• Department of Japanese, Macquarie University</li> </ul>	Note 3	Chairman General Manager	Sei-Mei Cheng Cheng-Wei Cheng	The First Degree The Second	None
Vice General Manager, Sales Department	Yi-Ming Lin	<ul style="list-style-type: none"> <li>• Department of Business Administration, Tamkang University.</li> <li>• Senior Manager of Sales Department, Taiwan Paiho Limited.</li> </ul>	Note 4	Chairman	Sei-Mei Cheng	The Second Degree	None
Vice General Manager, President Office	Kuei-Chu Yeh	<ul style="list-style-type: none"> <li>• Master of International Business Administration, National Changhua University of Education.</li> <li>• Production Specialist, the Second Credit Cooperative Association of Changhua.</li> </ul>	<ul style="list-style-type: none"> <li>• Supervisor of Paiho Indonesia Company.</li> </ul>	None	None	None	None
Senior Manager, Product Development	Huan-Tung Tseng	<ul style="list-style-type: none"> <li>• Department of Economics, Chinese Culture University.</li> </ul>	None	None	None	None	None
Senior Manager, Processing Factory	Tung-Yu Huang	<ul style="list-style-type: none"> <li>• Department of Mechanical Engineering, Lien Ho College of Technology &amp; Commerce</li> </ul>	None	None	None	None	None
Senior Manager, Head Factory	Hui-Huang Huang	<ul style="list-style-type: none"> <li>• Department of Mechanical Engineering, Lunghwa Junior College of Technology.</li> </ul>	None	None	None	None	None
Senior Manager, Sales Department	Kuo-Chih Lai	<ul style="list-style-type: none"> <li>• Department of Business Administration, Ling Tung Junior College of Accounting.</li> </ul>	None	None	None	None	None
Project Senior Manager, Sales Department	Mei-Ting Yang	<ul style="list-style-type: none"> <li>• Department of Agriculture food processing, Taiwan Provincial Chiayi Junior College of Agriculture.</li> </ul>	None	None	None	None	None

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
Vice Senior Manager, Finance Department	Yao-Ta Huang	• Master of Accounting and Finance Institute, Feng Chia University.	None	None	None	None	None
Vice Senior Manager, Sales Development	Po-Hsun Huang	• Department of Industrial Safety and Health, Chung Shan Medical University.	None	None	None	None	None
Manager, Quality Assurance Department	Hsing-Ju Chiang	• Department of Textile, National Taipei College of Institute.	None	None	None	None	None
Manage, Information Technology Department	Hung-Chang Cheng	• Department of International Trade, Chung Yuan Christian University.	None	None	None	None	None
Deputy Factory Director, Dye House	Ming-Yen Lin	• Junior High School.	None	None	None	None	None
Assistant Manager, Audit Office	Mei-Chin Hsin	• Associate Degree in Accounting, National Taichung College of Business.	None	None	None	None	None
Corporate Governance Officer- Special Assistant	Yi-Wen Liao	• Department of Accounting, Tunghai University. • Certified Public Accountant (CPA) License.	None	None	None	None	None

Note:

1. Chairman and CEO of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Company, Director of China Star Company, Director of Dongguan Powder Company, Director of He Mei Xing Ye Company, Chairman of Vietnam Paiho Company, Director of Dongguan Paihong Company, Director of Braits Company, Director of Wuxi Paisem Company, Director of Zhong Yuan Xing Ye Company, and Director of Paiho Indonesia Company.
2. Director and General Manager of the Company, Director of Paiho North America Company, Director of Braits Company, and Supervisor of Dongguan Paihong Company.
3. Also serves as Director of Paiho Shih Company, Director of He Mei Xing Ye Company, Director of Paiho Holdings Company, Director of Hong Kong Antex Company, Director of Zhong Yuan Xing Ye Company, Director of Wuxi Paisem Company, Supervisor of Dongguan Powder Company, and Director of Paiho Indonesia Company.
4. 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, Director of Zhong Yuan Xing Ye Company, Director and General Manager of Vietnam Paiho Company, Director of Braits Company, Chairman of Paiho North America Company, Director of Hong Kong Antex Company, Director of Wuxi Paisem Company, and Director of Paiho Indonesia Company.
5. If the Chairman of the Company and the General Manager or equivalent (the top managerial officer) are the same person, relatives of each other such as, spouse or the relative in the 1<sup>st</sup> degree of kinship, should explain the reasons, rationality, necessity and corresponding measures:  
The Chairman and the General Manager are related to the 1<sup>st</sup> degree of kinship, which is for the purpose of improving operating efficiency and decision-making process. However, in order to strengthen the independence of the Board of Directors, the Company intends to increase the number of independent directors in the future to enhance the functions of the Board of Directors and to strengthen its supervisory functions. The specific measures of the Company are as follows:  
(1) The current three independent directors are specialists in the fields of finance, accounting and industry; also, they can effectively exercise their supervisory functions.  
(2) Arrange continuing education for board directors every year to enhance the operating efficiency of the Board of Directors.  
(3) Independent directors can fully discuss and make recommendations in each functional committee for the references of board directors in order to implement corporate governance.

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

3.3.1 Remuneration Paid to Directors and Independent Directors

December 31, 2020 ; Unit: NT\$ thousands																							
Title	Name	Directors' Remuneration								Ratio of Total (A+B+C+D) as % of Net Profit (Note 3)		Compensation Earned as Employee of the Company or of the Company's Affiliates								(A+B+C+D+E+F +G) as % of Net Profit (Note 3)		Other Compensa tions from Nonsubsid iary Affiliates or Parent Company	
		Salary(A)		Pension (B)		Remunerations (C) (Note 1)		Allowance (D)				Salary, Bonus and Special Fees etc. (E)		Pension (F)		Employee Compensation (G) (Note 2)							
		The Company	Consolidated Entities	The Company	Consolidated Entities)	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolid ated Entities	The Company		Consolidated Entities		The Company	Consolidat ed Entities		
																Cash	Stock	Cash	Stock				
Chairman	Sen-Mei Cheng	\$330	\$330	\$ 0	\$ 0	\$17,589	\$17,589	\$470	\$470	1.19	1.19	\$30,210	\$94,705	\$ 0	\$ 0	\$4,750	\$ 0	\$4,750	\$ 0	3.44	7.59	\$ 0	
Director	Yi-Ming Lin																						
Director	Representative of Everise Investment Co., Ltd: Cheng-Wei Cheng(Note 4)																						
Director	Hsi-Ming Pai																						
Director	Yi-Lun Cheng (Note 4)																						
Director	Hsin-Jung Cheng																						
Director	Cheng-Wei Cheng(Note 5)																						
Director	Chih-Yu Cheng (Note 5)																						
Director	Shih-Chao Huang (Note 5)																						
Director	Hsiu-Mai Lee Cheng (Note 5)																						
Director	Kuei-Chu Yeh (Note 5)																						
Independent Director	Chung-Cheng Wang	\$1, 800	\$1, 800	\$ 0	\$ 0	\$ 0	\$ 0	\$210	\$210	0.13	0.13	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$0	\$0	\$ 0	\$ 0	0.13	0.13	\$ 0
Independent Director	Jui-Lin Lo																						
Independent Director	Chia-Yu Chen																						

Note 1: Directors profit distribution are based on the proposal approved by the Board of Directors.

Note 2: Calculated on the basis of the resolution of the Board in 2021 on the distribution of earnings to employees as remuneration in 2020.

Note 3: Calculated based on the net profit of NT\$1,551,805 thousand in the 2020 Financial Statement.

Note 4: Assume office on June 10, 2020.

Note 5. Relieved from office on June 10, 2020.

Note 6: The policy, systems, standards and structure of remuneration of independent directors; also, describe the correlation with the amount of remuneration according to the responsibilities, risks and time invested:

The Board of Directors is authorized to discuss and determine the remuneration of the independent directors for the paid for factors, such as, the degree of their participation in the Company's operations, the value of their contribution to the Company and the payment level of the industry. The remuneration of independent directors for this year includes attendance fee and monthly remuneration.

Note 7: The remuneration received by the board directors of the Company in the most recent year for providing services (such as, serving as a consultant instead of as an employee) to all the companies stated in the financial report : None.

## Range of Remuneration

Range of Remuneration	Name of Directors			
	Aggregate Amount of the Preceding Four Remuneration Items (A+B+C+D)		Aggregate Amount of the Preceding Seven Remuneration Items (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities (I)
Less than NT\$1 million	Hsi-Ming Pai Chih-Yu Cheng Kuei-Chu Yeh Hsin-Jung Cheng Shih-Chao Huang Hsiu-Mai Lee Cheng Yi-Lun Cheng Chung-Cheng Wang Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	Hsi-Ming Pai Chih-Yu Cheng Kuei-Chu Yeh Hsin-Jung Cheng Shih-Chao Huang Hsiu-Mai Lee Cheng Yi-Lun Cheng Chung-Cheng Wang Jui-Lin Lo Chia-Yu Chen	Hsi-Ming Pai Hsin-Jung Cheng Shih-Chao Huang Hsiu-Mai Lee Cheng Chung-Cheng Wang Chung-Cheng Wang Jui-Lin Lo Chia-Yu Chen	Hsi-Ming Pai Shih-Chao Huang, Hsiu-Mai Lee Cheng Chung-Cheng Wang Jui-Lin Lo Chia-Yu Chen
NT\$ 1 million (included) ~ \$ 2 million (excluded)	Cheng-Wei Cheng Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng	Cheng-Wei Cheng Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng	Chih-Yu Cheng Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng	Chih-Yu Cheng Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng
NT\$ 2 million (included) ~ \$ 3. 5 million (excluded)	Yi-Ming Lin	Yi-Ming Lin	Yi-Ming Lin Yi-Lun Cheng	Yi-Lun Cheng
NT\$ 3.5 million (included) ~ \$ 5 million (excluded)	None	None	None	None
NT\$ 5 million (included) ~ \$10 million (excluded)	Sen-Mei Cheng	Sen-Mei Cheng	Cheng-Wei Cheng Kuei-Chu Yeh	Kuei-Chu Yeh
NT\$10 million (included) ~ \$ 15 million (excluded)	None	None	None	Hsin-Jung Cheng
NT\$15 million (included) ~ \$ 30 million (excluded)	None	None	Sen-Mei Cheng	Cheng-Wei Cheng Yi-Ming Lin
NT\$30 million (included) ~ \$ 50 million (excluded)	None	None	None	Sen-Mei Cheng
NT\$50 million (included) ~ \$100 million (excluded)	None	None	None	None
Above NT\$100 million	None	None	None	None
Total	14	14	14	14

### 3.3.2 Remuneration Paid to the General Manager and Vice General Managers

December 31, 2020 ; Unit: NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonuses and Special Fees etc. (C)		Employee Compensation (D) (Note 1)				(A+B+C+D) as % of Net Profit (Note 2)		Other Compensation from Nonsubsidiary Affiliates or Parent Company
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Sen-Mei Cheng	\$11,437	\$14,339	\$ 0	\$ 0	\$22,700	\$81,934	\$4,700	\$ 0	\$4,700	\$0	2.50	6.51	\$ 0
General Manager	Cheng-Wei Cheng													
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng													
Vice General Manager, Sales Department	Yi-Ming Lin													
Vice General Manager, President office	Kuei-Chu Yeh													

Note 1: Calculated on the basis of the resolution of the Board in 2021 on the distribution of earnings to employees as remuneration in 2020.

Note 2: Calculated based on the net profit of NT\$1,551,805 thousand in the 2020 Financial Statement.

# Range of Remuneration

Range of Remuneration	Name of General Manager and Vice General Managers	
	The Company	Consolidated Entities (E)
Less than NT\$1 million	Yi-Ming Lin	None
NT\$ 1 million (included)～ \$ 2 million (excluded)	None	None
NT\$2 million (included)～ \$ 3.5 million (excluded)	None	None
NT\$3.5 million (included)～ \$ 5 million (excluded)	None	None
NT\$5 million (included)～ \$10 million (excluded)	Cheng-Wei Cheng Cheng-Tsung Cheng Kuei-Chu Yeh	Kuei-Chu Yeh
NT\$10 million (included)～ \$ 15 million (excluded)	Sen-Mei Cheng	None
NT\$15 million (included)～ \$ 30 million (excluded)	None	Yi-Ming Lin Cheng-Wei Cheng Cheng-Tsung Cheng
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	5	5



### 3.3.3 Distribution of Employee' Compensation Paid to Managerial Officers

December 31, 2020  
Unit: NT\$ thousands

	Title	Name	Amount of stock	Amount of cash	Total	Ratio of Total Amount to Net Profit (%)
Managerial Officers	CEO	Sen-Mei Cheng	\$ 0	\$8,600	\$8,600	0.55
	General Manager	Cheng-Wei Cheng				
	Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng				
	Vice General Manager, Sales Department	Yi-Ming Lin				
	Vice General Manager, President Office	Kuei-Chu Yeh				
	Senior Manager, Product Development.	Huan-Tung Tseng				
	Senior Manager, Processing Factory	Tung-Yu Huang				
	Senior Manager, Head Factory	Hui-Huang Huang				
	Senior Manager, Sales Department	Kuo-Chih Lai				
	Project Senior Manager, Sales Department	Mei-Ting Yang				
	Vice Senior Manager, Finance Department	Yao-Da Huang				
	Vice Senior Manager, Sales Development	Po-Hsun Huang				

Note 1: Calculated on the basis of the resolution of the Board in 2021 on the distribution of earnings to employees as remuneration in 2020.

Note 2: Net profit of 2020 Financial Statement is NT\$ 1,551,805 thousand.

3.3.4 Analyze Total Remuneration, as a Percentage of Net Profit Stated in the Financial Reports, as Paid by this Company and by Each Other Company Included in the Consolidated Financial Statements in the Past Two Years to Directors, General Manager and Vice General Managers

Title	Ratio of Total Amount to Net Profit (%)			
	2019		2020	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	3.59	7.78	3.57	7.72
General Manager and Vice General Managers	2.78	6.69	2.50	6.51

Description:

1. The remunerations to the Directors of the Company cover traveling allowance, payment and salaries for the Directors. Traveling allowance and salaries for the Directors in performing assigned duties are disbursed in accordance with the “Regulations Governing the Remunerations to Directors” regardless of the profit position. Under the internal regulations of the Company currently in effect, the amount of remuneration to Directors shall not be higher than 2% of the earnings before taxation and the deduction for the remunerations to the employees and Directors, and the rules under the “Regulations Governing the Remunerations to Directors” subject to the review of the Remuneration Committee and resolution of the Board before disbursement.
2. The General Manager and Vice General Managers are responsible for the Company’s business management and operation. The salary structure covers basic salary, special allowance, year-end bonus and employee remuneration (bonus). Remuneration to individuals will be commensurate with individual performance and the overall contribution to the Company with reference to industry standard subject to the discussion of the Remuneration Committee and the resolution of the Board before disbursement.
3. In 2020, the remuneration to the Directors and the General Manager and Vice General Managers in totality accounted for a smaller percentage of the net profit as compared with the same period of 2019 mainly due to the marginal growth of profit in 2020 as compared with 2019.

### 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. 7 (A) Meetings of the Board of Directors were Held in 2020. 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	7	0	100.0	Renewal of office on June 10, 2020
Vice Chairman	Yi-Ming Lin	6	0	85.7	Renewal of office on June 10, 2020
Director	Representative of Everise Investment Co., Ltd. : Cheng-Wei Cheng	4	0	100.0	Assume office on June 10, 2020 and should attend four Board meetings.
Director	Hsi-Ming Pai	7	0	100.0	Renewal of office on June 10, 2020
Director	Yi-Lun Cheng	4	0	100.0	Assume office on June 10, 2020 and should attend four Board meetings.
Director	Hsin-Jung Cheng	7	0	100.0	Renewal of office on June 10, 2020
Independent Director	Jui-Lin Lo	7	0	100.0	Renewal of office on June 10, 2020
Independent Director	Chung-Cheng Wang	7	0	100.0	Renewal of office on June 10, 2020
Independent Director	Chia-Yu Chen	7	0	100.0	Renewal of office on June 10, 2020
Director	Cheng-Wei Cheng	3	0	100.0	Relieved from office on June 10, 2020 and should attend three Board meetings.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Director	Chih-Yu Cheng	3	0	100.0	Relieved from office on June 10, 2020 and should attend three Board meetings.
Director	Shih-Chao Huang	3	0	100.0	Relieved from office on June 10, 2020 and should attend three Board meetings.
Director	Hsiu-Mai Lee Cheng	0	0	0.0	Relieved from office on June 10, 2020 and should attend three Board meetings.
Director	Kuei-Chu Yeh	3	0	100.0	Relieved from office on June 10, 2020 and should attend three Board meetings.

## 2. Other Matters to be Noted

(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 actions taken by the Company in response to opinions of independent directors shall be noted

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 18 <sup>th</sup> meeting of the 12 <sup>th</sup> board March 19, 2020	1. To make endorsement/guarantees for its affiliates.	None	None
	2. Amendments to Remuneration Committee Charter.		
	3. Amendments to Audit Committee Charter.		

Meeting Dates and Session	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
	4. Amendments to Rules of Procedure for Board of Directors Meetings.	None	None
	5. Amendments to Corporate Governing Best Practice Principles.		
	6. Amendment the Rules of Procedure for Shareholders Meetings.		
	7. Amendment the Operational Procedures for Loaning of Company Funds.		
	8. Amendment the Regulation Governing Making of Endorsements/Guarantees.		
	Extraordinary Motions 1. The termination of the employment contract of Mr. Chih-Yu Cheng and the calculation of severance pay (including wages during the notice period).		
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board April 21, 2020	1. 2020 CPAs' audit fees.	None	None
	2. The assessment of the independence and competency of the CPA.		
	3. Amendment the Articles of Incorporation.		
	4. Election the list of candidates for directors (including independent directors).		
	5. Lifting of new director of non-competition restrictions.		
The 20 <sup>th</sup> meeting of the 12 <sup>th</sup> board May 12, 2020	1. To make endorsement/guarantees for its affiliates.	None	None
The 1 <sup>st</sup> meeting of the 13 <sup>th</sup> board June 18, 2020	1. To make endorsement/guarantees for its affiliates.	None	None
	2. The review of the qualifications of the members to the 4th Remuneration Committee, the		

Meeting Dates and Session	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
	Appointment Contract and Remuneration.	None	None
The 2 <sup>nd</sup> meeting of the 13 <sup>th</sup> board August 11, 2020	1. To make endorsement/guarantees for its affiliates.	None	None
	2. Mr. Sen-Mei Cheng is appointed the CEO of the Company.		
	3. Mr. Cheng-Wei Cheng is appointed the General Manager of the Company.		
	4. Paiho Shih Company, invested in Taiwan to establish subsidiaries.		
	5. To increase the capital of Wuxi Paiwei Company.		
The 3 <sup>rd</sup> meeting of the 13 <sup>th</sup> board November 10, 2020	1. To make endorsement/guarantees for its affiliates.	None	None
The 4 <sup>th</sup> meeting of the 13 <sup>th</sup> board December 24, 2020	1. To make endorsement/guarantees for its affiliates.	None	None
	2. Amendments to [Accounting System] of the Company.		
	3. The 2020 estimated bonuses to be distributed to managerial officers.		

②Except the aforementioned items, 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:

Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
The 18 <sup>th</sup> meeting of the 12 <sup>th</sup> board March 19, 2020	Chih-Yu Cheng	The termination of the employment contract of Mr. Chih-Yu Cheng and the calculation of severance pay (including wages	Director Chih-Yu Cheng had a conflict of interest for the said purpose so took a recusal and did not

Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
		during the notice period).	participate in the discussion and voting. After all attending directors reviewed relevant documents/information, the meeting chairman's enquiry, all other attending directors passed the proposal without objection.
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board April 21, 2020	Sen-Mei Cheng Cheng-Wei Cheng Yi-Ming Lin Hsi-Ming Pai Hsin-Jung Cheng Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	The list of candidates for directors (including independent directors).	Eight directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The other Directors in session voted in favor of motion by hand raising. Only Director Chih-Yu Cheng vetoed the motion, which was passed by all others as stated. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for election.
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board April 21, 2020	Sen-Mei Cheng Cheng-Wei Cheng Yi-Ming Lin Hsin-Jung Cheng Jui-Lin Lo Chung-Cheng Wang	Lifting of new director of non-competition restrictions.	Six directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The other Directors in session voted in favor of motion by hand raising. Only Director Chih-Yu

Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
			Cheng vetoed the motion, which was passed by all others as stated. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for discussion.
The 1 <sup>st</sup> meeting of the 13 <sup>th</sup> board June 18, 2020	Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	The review of the qualifications of the members to the 4th Remuneration Committee, the Appointment Contract and Remuneration.	Three directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the meeting chairman's enquiry, all other attending directors passed the proposal without objection.
The 2 <sup>nd</sup> meeting of the 13 <sup>th</sup> board August 11, 2020	Sen-Mei Cheng Cheng-Wei Cheng Yi-Ming Lin	Mr. Sen-Mei Cheng is appointed the CEO of the Company.	Three directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.
	Sen-Mei Cheng Cheng-Wei Cheng	Mr. Cheng-Wei Cheng is appointed the General Manager of the Company.	Two directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry,



Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
			all other attending directors passed the proposal without objection.
	Sen-Mei Cheng Yi-Ming Lin Hsin-Jung Cheng	Paiho Shih Company, invested in Taiwan to establish subsidiaries.	Three directors had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.
		To increase the capital of Wuxi Paiwei Company.	
The 4 <sup>th</sup> meeting of the 13 <sup>th</sup> board December 24, 2020	Sen-Mei Cheng Cheng-Wei Cheng Yi-Ming Lin	The 2020 estimated bonuses to be distributed to managerial officers.	Three Director had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.

(3)The self-evaluation of the Board of Directors (including evaluation cycle, scope of evaluation, evaluation method and evaluation content, etc.) and implementation of the evaluations of the Board of Directors.

The Company has established the “Regulations for Performance Evaluation of the Board of Directors and Functional Committees” to materialize corporate government and improve the functions of the Board of Directors and functional committees. Performance evaluation has been conducted at the end of 2020 in accordance with the “Regulations Governing the Evaluation of the Performance of the Board and Functional Committees.” The findings from the evaluation were presented to the Board on March 24, 2021.

## Implementation of the Evaluations of the Board of Directors

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content	Evaluation Result
Once a year	June 10, 2020 to December 31, 2021 (Note 1)	Board of Directors performance evaluation	Board Self-evaluation by Board members	① Participation in the operation of the Company. ② Improvement of the quality of the Board of Directors' decision making. ③ Composition and structure of the Board of Directors. ④ Election and continuing education of the director. ⑤ Internal control.	The Board of Directors of the Company perform its functions in accordance with applicable laws. The performance was rated as outstanding.
Once a year	June 10, 2020 to December 31, 2021 (Note 1)	Individual directors member performance evaluation	Self-evaluation by individual directors member	① Alignment of the goals and missions of the Company. ② Awareness of the duties of a director. ③ Participation in the operation of the Company. ④ Management of internal relationship and communication. ⑤ The director's professionalism and continuing education. ⑥ Internal control.	The individual directors member of the Company perform their functions in accordance with applicable laws. The performance was rated as outstanding.
Once a year	January 1, 2020 to December 31, 2021	Functional committee performance evaluation	Self-evaluation by individual functional committee members	① Participation in the operation of the Company. ② Awareness of the duties of the functional committee.	The Remuneration Committee and Audit Committee of the Company perform its functions in

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content	Evaluation Result
				③Improvement of quality of decisions made by the functional committee. ④Makeup of the functional committee and election of its members. ⑤Internal control.	accordance with applicable laws.

Note 1: The General Meeting of Shareholders on June 10, 2020 elected Directors for a new Board.

(4) Strengthening the objectives and performance of the Board of Directors in the current year and the recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of objectives implementation.

①The 9 directors (including 3 independent directors) of the Company have all completed the continuing education hours in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.” The continuing education hours and courses have been announced on the Market Observation Post System.

②The “Regulations for Performance Evaluation of the Board of Directors and Functional Committees” was formulated to establish performance objectives and enhance the efficiency of the Board of Directors. Performance evaluation has been conducted at the end of 2020 in accordance with the “Regulations Governing the Evaluation of the Performance of the Board and Functional Committees.” The findings from the evaluation were presented to the Board on March 24, 2021.

- ③The major resolutions of the Company will be published after the board meeting on the Market Observation Post System in accordance with the relevant provisions of the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities” for the real-time information of the investors.
- ④As of December 31, 2020, the three Independent Directors were in office for less than three consecutive terms. For the proper pursuit of supervision, all the Independent Directors attained 100% attendance rate for the sessions of the Board in 2020.

### 3.4.2 The Operational State of the Audit Committee:

#### 1. Scope of duties of the Audit Committee

- (1) The adoption or amendments to internal control systems.
- (2) The assessment of the effectiveness of the internal control system.
- (3) The procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4) To audit matters in which a director is an interested party.
- (5) To audit matters of asset transactions or derivatives trading of a material nature.
- (6) To audit matters of loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) To audit the offering, issuance, or private placement of equity-type securities.
- (8) To audit matters of hiring or dismissal of a certified public accountant, or their compensation.
- (9) To audit matters of appointment or discharge of a financial, accounting, or internal audit officer.
- (10) To audit the annual and Q2 financial reports signed by Chairman, managerial officers and accounting managers upon being audited and certified by the CPA.
- (11) To audit other material matters as may be required by this Company or competent authorities.

#### 2. Matters to be reviewed by the Audit Committee in 2020 include mainly the following:

##### (1) Evaluating effective implementation of the internal control system

The Audit Committee evaluates the effectiveness of the policy and procedures of internal control and reviews the periodic reports of the Company's audit department, certified public accountants, and managerial departments. The Audit Committee believes that the Company's risk management and internal control systems are effective, and the Company has adopted necessary control mechanisms to monitor and correct any violations.

(2) Reviewing financial statements

The Board of Directors has prepared and submitted the Company's 2020 Business Report, Financial Statements and proposals for Distribution of 2020 Profits. The independent auditors Shu-Chin Chiang and Ting-Chien Su of Deloitte & Touche have audited the Financial Statements and issued audit report relating to the Financial Statements. Aforementioned Business Report, Financial Statements, and proposals for Distribution of 2020 Profits have been reviewed and determined to be correct and accurate by the Audit Committee members of TAIWAN PAIHO LIMITED.

(3) Appointment of CPA

To assure the independence of CPAs, the Audit Committee evaluates the independence, professionalism, and competency of CPAs, and evaluates whether they are related persons, have mutual business or financial interests with the Company. After approval by the board of directors, both Shu-Chin Chiang and Ting-Chien Su of Deloitte Touche Tohmatsu Limited meet the independence evaluation standards and are qualified to be certified public accountants for financial compliance audit of the Company.

3. 7 (A) Meetings of Audit Committee were Held in 2020. 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	7	0	100.0	Renewal of office on June 10, 2020
Independent Director	Chung-Cheng Wang	7	0	100.0	Renewal of office on June 10, 2020
Independent Director	Chia-Yu Chen	7	0	100.0	Renewal of office on June 10, 2020

#### 4. Other Matters to be Noted

(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 actions taken by the Company in response to the opinion of the Audit Committee shall be noted:

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

Meeting Dates and Sessions of Board of Director	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 18 <sup>th</sup> meeting of the 12 <sup>th</sup> board March 19, 2020	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
	2. 2019 Statement of Internal Control System.		
	3. 2019 Business Report, Financial Statements and Consolidated Financial Statements.		
	4. Amendments to Audit Committee Charter.		
	5. Amendments to Rules of Procedure for Board of Directors Meetings.		
	6. Amendments to Corporate Governing Best Practice Principles.		
	7. Amendment the Rules of Procedure for Shareholders Meetings.		
	8. Amendment the Operational Procedures for Loaning of Company Funds.		
	9. Amendment the Regulation Governing Making of Endorsements/Guarantees.		
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board April 21, 2020	1. 2020 CPAs' audit fees.	Passed by all members of the Audit Committee unanimously.	The proposal was approved with a show of hands by the attending 10 directors and opposed by 1 director, Chih-Yu Cheng.
	2. The assessment of the independence and competency of the CPA.		
	3. Amendment the Articles of Incorporation.		
	4. Election the list of candidates for directors (including independent directors).	Member Jui-Lin Lo, Member Chung-Cheng	Director Sen-Mei Cheng, Director Yi-Ming Lin,

Meeting Dates and Sessions of Board of Director	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board April 21, 2020		Wang and Member Chia-Yu Chen had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending members passed the proposal without objection.	Director Cheng-Wei Cheng, Director Hsi-Ming Pai, Director Hsin-Jung Cheng, Director Jui-Lin Lo, Director Chung-Cheng Wang and Director Chia-Yu Chen had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The other Directors in session voted in favor of motion by hand raising. Only Director Chih-Yu Cheng vetoed the motion, which was passed by all others as stated. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for election.
	5.Lifting of new director of non-competition restrictions	Member Jui-Lin Lo and Member Chung-Cheng Wang had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other	Director Sen-Mei Cheng, Director Yi-Ming Lin, Director Cheng-Wei Cheng, Director Hsin-Jung Cheng, Director Jui-Lin Lo, and Director Chung-Cheng Wang had a conflict of interest for the said purpose so took a recusal

Meeting Dates and Sessions of Board of Director	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board April 21, 2020		attending members passed the proposal without objection.	and did not participate in the discussion and voting. The other Directors in session voted in favor of motion by hand raising. Only Director Chih-Yu Cheng vetoed the motion, which was passed by all others as stated. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for discussion.
The 20 <sup>th</sup> meeting of the 12 <sup>th</sup> board May 12, 2020	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 1 <sup>st</sup> meeting of the 13 <sup>th</sup> board June 18, 2020	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 2 <sup>nd</sup> meeting of the 13 <sup>th</sup> board August 11, 2020	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
	2. Mr. Sen-Mei Cheng is appointed the CEO of the Company.		Director Sen-Mei Cheng, Director Yi-Ming Lin, and Director Cheng-Wei Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other



Meeting Dates and Sessions of Board of Director	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 2 <sup>nd</sup> meeting of the 13 <sup>th</sup> board August 11, 2020	3. Mr. Cheng-Wei Cheng is appointed the General Manager of the Company.	Passed by all members of the Audit Committee unanimously.	attending directors passed the proposal without objection.
	4. Paiho Shih Company, invested in Taiwan to establish subsidiaries.		Director Sen-Mei Cheng and Director Cheng-Wei Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.
	5. To increase the capital of Wuxi Paiwei Company.		Director Sen-Mei Cheng, Director Yi-Ming Lin, and Director Hsin-Jung Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.
The 3 <sup>rd</sup> meeting of the 13 <sup>th</sup> board November 10, 2020	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
The 4 <sup>th</sup> meeting of the 13 <sup>th</sup> board December 24, 2020	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	Passed by all attending Board Directors unanimously.
	2. Amendments to [Accounting System] of the Company.		

- ② Except for the matters in the preceding paragraph, matters not approved by the Audit Committee but approved by at least two thirds of all directors: 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:

Meeting Dates and Session of Audit Committee	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
The 19 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee April 21, 2020	Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	The list of candidates for directors (including independent directors).	Three members had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending members passed the proposal without objection.
	Jui-Lin Lo Chung-Cheng Wang	Lifting of new director of non-competition restrictions.	Two members had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After the (acting) meeting chairman's enquiry, all other attending members passed the proposal without objection.

(3) Descriptions of the communications between the independent directors, internal audit officer, and CPAs (including significant matters, methods, and results of communication on the Company's finance and operations, etc.):

- ① Communications between the independent directors and internal audit officer
- A. The monthly audit report completed in accordance with the audit plan shall be submitted to the independent directors for review by e-mail or in person before the end of the following month.
  - B. Summarize and present the internal audit reports to the Audit Committee on a quarterly basis.

- C. Communicate and discuss with the independent directors the implementation of internal audits and internal controls of the Company by telephone, email, or in person occasionally.
- D. Report a special event, if any, to the independent directors immediately.
- E. There was no special event to be reported in 2020. The independent directors and the audit officer of the Company communicated well. The independent directors had no objections. The previous communications are summarized as follows:

Audit Committee Meeting Dates	Items of Communication	Results of Communication
March 19, 2020	1. 2019 Statement of Internal Control System.	Independent directors raised no objection. Submitted to the Board of Directors for resolution after the passage of the Audit Committee.
June 18, 2020	1. The Internal Auditor's report for Oct.~Dec. 2019.	Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.
	2. The Internal Auditor's report for Jan.~Mar. 2020.	
	3. Matters related to the deficiencies of internal audit in 2019 and improvements.	
August 11, 2020	1. The Internal Auditor's report for Apr.~Jun. 2020.	Independent d Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.

Audit Committee Meeting Dates	Items of Communication	Results of Communication
November 10, 2020	1. The Internal Auditor's report for Jul.~Sep. 2020.	Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.
December 24, 2020	1. The Company's 2021 internal control audit plan.	Independent directors raised no objection. Submitted to the Board of Directors for resolution after the passage of the Audit Committee.

② Communications between the independent directors and the CPAs

- A. The CPAs attended the Audit Committee meeting on March 19, 2020, August 11, 2020 and March 24, 2021 to report the results of the financial statements review (audit) and the communications required by the relevant laws and regulations.
- B. Immediately report a special event, if any, to the independent directors.
- C. There was no special event to be reported in 2020. The independent directors of the Company and the CPAs communicated well. The independent directors had no objections. The previous communications are summarized as follows:

Audit Committee Meeting Dates	Items of Communication	Results of Communication
March 19, 2020	1. The CPA explained the audit results of the 2019 Financial Statements and Consolidated Financial Statements and initiated a discussion on the audit findings. 2. Summarize important regulations update. 3. The CPA discussed and communicated with the members of the Audit Committee and participants on the issues they consulted.	Independent directors raised no objection. After the passage of the Audit Committee, the 2019 Financial Statements and Consolidated Financial Statements were submitted to the Board of

Audit Committee Meeting Dates	Items of Communication	Results of Communication
March 19, 2020		Directors for resolution.
August 11, 2020	<ol style="list-style-type: none"> <li>1. The CPA explained the results of the review of Consolidated Financial Statements for the second quarter of 2020 and initiated a discussion on the findings of the review</li> <li>2. The CPA discussed and communicated with the members of the Audit Committee and participants on the issues they consulted.</li> </ol>	Independent directors raised no objection. The Consolidated Financial Statements for the second quarter of 2020 were reported to the Board of Directors after being reported to the Audit Committee.
March 24, 2021	<ol style="list-style-type: none"> <li>1.The CPA explained the audit results of the 2020 Financial Statements and Consolidated Financial Statements and initiated a discussion on the audit findings.</li> <li>2.Summarize important regulations update.</li> <li>3 The CPA discussed and communicated with the members of the Audit Committee and participants on the issues they consulted.</li> </ol>	Independent directors raised no objection. After the passage of the Audit Committee, the 2020 Financial Statements and Consolidated Financial Statements were submitted to the Board of Directors for resolution.

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	✓		(3) The management rights and responsibilities between the Company and its associates	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	
<p>system within its between the Company and its affiliates?</p> <p>(4) Does the Company establish internal rules against insiders trading with undisclosed information?</p>	✓		<p>are clearly defined; also, the business transactions are subject to the relevant provisions of the Company's internal control system.</p> <p>(4) The Company has formulated the "Procedures of Internal Material Information" and "Codes of Ethical Conduct" to prohibit insiders from using undisclosed information to buy and sell securities. The Company has provided education for the Directors and the employees on October 21, 2020 in the prevention of insider trade in performing their assigned duties.</p>	No major difference
<p>3.Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) The Company has established a diversity policy for the composition of the board directors in the "Corporate Governance Best Practice Principles." There are 9 directors elected in response to the Company's business development scale and practical operating needs. The targeted percentage of female Directors is 25%. Among the said directors, about 56% of them are employees of the Company, 33% of them are independent directors, 22% of them are female directors, and the independent directors have all served for more than 3</p>	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	
			years. Among the directors of the Company, 4 directors are in the age group of 60 ~ 69 years old and the remaining 5 directors are under 60 years old. Please refer to Note 1 (page 59) for the diversity policy implemented for the composition of the board directors.	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) The Company will be established Organizational Sustainable Development Committee in 2021. To promote sustainable organizational development, ethical management, and the implementation of CSR.	No major difference
(3) Does the Company establish a standard to measure the performance of the Board, implement it annually, and submit the results of performance assessments to the Board of Directors, and use as a reference for determining remuneration for individual directors and their nominations?	✓		(3) The Company has instituted the “Regulations for Performance Evaluation of the Board of Directors and Functional Committees” and has conducted annual evaluation on their performance. The Board, individual Directors, and the functional committees have responded to the questionnaire designed for internal evaluation in accordance with the performance indicators at the end of 2020. The result of the evaluation was presented to the Board on March 24, 2021. For additional information, refer to page 37-38. The evaluation result will be used as reference for	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	
(4)Does the Company regularly evaluate the independence of CPAs?	✓		<p>setting the remuneration to individual Directors and for the nomination or appointment to the seats of Directors in the future.</p> <p>(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 April 21, 2020. Based on the assessment performed, the Company has concluded that CPA Shu-Ching Chiang and CPA Hsiao-Fang Yen of Deloitte &amp; Touche are in compliance with the Company's independent evaluation criteria (Note 2, please refer to page 60) and are competent to act as the Company's attestation accountants. The accounting firm has had a letter of independence statement issued.</p> <p>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.</p>	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	
4. Is the Company equipped with an adequate number of governance personnel with appropriate qualifications and appointed with a corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, assist for the legal compliance of directors, and engage in affairs relating to Board Meetings and Shareholders' Meetings and creation of the minutes of such meetings, etc.)?	✓		<p>The Board resolved to pass the appointment of Special Assistant Yi-Wen Liao as the Corporate Governance Officer on March 24, 2021. Special Assistant Liao is a certified public accountant and has several years of experience in financial management and related tasks. The Corporate Governance Officer of the Company is charged with the duties of handling all matters pertinent to the convention of the Board and General Meeting of Shareholders, preparation of the minutes of meetings of the Board and the Shareholders on record, assistance to the Director in assuming office and continuing education, supply of information required by the Directors in performing their functions, assistance to the Directors in law compliance for the protection of the rights and privileges of the shareholders, fortification of the function of the Board, respecting the rights and privileges of the stakeholders, enhancement of information transparency, and vitalization of the system of corporate governance.</p> <p>The Company plans to arrange professional advance programs for its corporate governance officer in 2021.</p>	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	
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 information, financial statements, investor conferences, etc., and links to the “Market Observation Post System” for the reference of the shareholders and the public.	No major difference
(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	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	
(3) Does the company publish and declare its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2, and Q3 as well as status of monthly operations?		✓	investor conference with the relevant information disclosed on the Company's website. (3) The Company did not announce and register the annual financial report within two months after the end of the fiscal year, and did not announce and register the financial reports for the first, second, and third quarters before the deadline. However, the Company did announce the unaudited consolidated profit and losses of the previous month before the 15 <sup>th</sup> day of each month.	No major difference In the event there are regulatory requirements or actual operational needs, the Company further handles matters according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and relevant laws.
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,	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	
			<p>and life insurance.</p> <p>②The Company appropriates employee benefits funds in accordance with the law, organizes employee welfare committees, and regularly arranges employee travel activities, health checks, and other employee welfare measures every year.</p> <p>③ Appropriate employee pensions according to law.</p> <p>④ Regularly arranges labor safety and health workshops to prevent occupational disasters and to ensure the safety and health of employees.</p> <p>(3) Investor relation: A spokesperson, an acting spokesperson, and a stock affairs clerk are to handle shareholders' recommendations.</p> <p>(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.</p>	

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>(5) Rights of stakeholders: The Company's website (<a href="http://www.paiho.com">http://www.paiho.com</a>) is set up with a "Stakeholders" section to provide a smooth communication channel so stakeholders can make suggestions or recommendations at any time.</p> <p>(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 79-81 for the advanced studies of the Board Directors.</p> <p>(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.</p> <p>(8)The implementation of customer relations policies: The Company maintains a stable and good relationship with its customers to create corporate profits.</p> <p>(9)The liability insurance acquired for the directors by the Company: The Company acquired a one-year insurance policy for a coverage amount of US\$10</p>	

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			million for the directors on August 11, 2020, which was reported to the Board of Directors on November 10, 2020.	
<p>9. Please provide explanation on the improvement status of the corporate governance evaluation announced by the Taiwan Stock Exchange (TWSE) in the recent year, and provide priority enhancement for matters yet to be improved matters and measures:</p> <p>(1) The Company had formulated the “Regulations for Performance Evaluation of the Board of Directors and Functional Committees” in 2019. An evaluation of the performance of the Board and the functional committees has been conducted at the end of 2020. The findings have been reported to the Board on March 24, 2021.</p> <p>(2) The Company has set up a website in English, the content of which covers information on finance, business, and corporate governance.</p> <p>(3) For the 8<sup>th</sup> Term of Corporate Governance Evaluation (evaluation year 2021), matters yet to be improved will be planned consecutively according to the needs of laws or actual operation.</p>				

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

Diversity Core Items Name of Director	Gender	Business Management	Leadership Decision Making	Operation Judgment	Crisis Handling	International Market Outlook	Industry Knowledge	Accounting Finance	Legal
Sen-Mei Cheng	Male	V	V	V	V	V	V		
Yi-Ming Lin	Male	V	V	V	V	V	V		
Representative of Everise Investment Co., Ltd. : Cheng-Wei Cheng	Male	V	V	V	V	V	V	V	
Hsi-Ming Pai	Male	V	V	V	V	V	V		
Yi-Lun Cheng	Female	V		V	V	V	V	V	
Hsin-Jung Cheng	Male	V	V	V	V	V	V	V	
Jui-Lin Lo	Male	V	V	V	V	V		V	V
Chung-Cheng Wang	Male	V	V	V	V	V	V	V	V
Chia-Yu Chen	Female	V		V	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. Independent Information of the Remuneration Committee's Member

Criteria Title (Note 1)	Requirements	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies Concurrently Serving as a Remuneration Committee's Member	Note
		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, 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, Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
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.

Note2: 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 or any of its affiliates. However, if an independent director is appointed in accordance with the "Securities and Exchange Act" or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (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 issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding

- (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that ranks among the top five in shareholdings or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the “Company Act”. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (7) Not the chairman, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses who is a director (or governor), supervisor, or employee of that other company or institution. However, if an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country and concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (8) 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. However, if a particular company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company and an independent director is appointed in accordance with the “Securities and Exchange Act” or the law and regulations of the local country concurrently serves as such at a public company and its parent or subsidiary or a subsidiary of the same parent, it is not subject to this requirement.
- (9) Not a professional individual who, or an owner, partner, director(executive director), supervisor (member of the supervisory board), 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, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NTD500,000” ; provided, this restriction does not apply to a member of the Compensation Committee, public tender offer review committee or special committee for merger/consideration and acquisition, who exercises powers pursuant to the “Securities and Exchange Act ” or to the “Business Mergers and Acquisitions Act ” or relevant laws and regulations.
- (10) Not been 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. The Operations Status of the Remuneration Committee

- (1) The Company's Remuneration Committee member counts 3 people.
- (2) The term of office is from June 18, 2020 to June 9, 2023. 2 (A) meetings of the Remuneration Committee were held in 2020. 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	Renewal of office on June 18, 2020.
Member	Chung-Cheng Wang	2	0	100	Renewal of office on June 18, 2020.
Member	Chia-Yu Chen	2	0	100	Renewal of office on June 18, 2020.

#### (3) Other matters to be noted:

- 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 opinion of the Remuneration Committee shall be noted:

Meeting Dates and Sessions of Board Meeting	Meeting Dates and Sessions of Remuneration Committee	Contents of Resolutions	Resolution of Remuneration Committee	The Company's Response to the Opinions of the Remuneration Committee
The 18 <sup>th</sup> meeting of the 12 <sup>th</sup> Board March 19, 2020	The 7 <sup>th</sup> meeting of the 3 <sup>rd</sup> Remuneration Committee March 19, 2020	1.The compensations distribution to employees and directors of 2019.	Passed by all members of the Remuneration Committee unanimously.	Passed by all attending board directors unanimously.
		2.Amendments to Remuneration Committee Charter.		
		Extemporaneous Motions 1. The termination of the employment contract of Mr. Chih-Yu Cheng and the calculation of severance pay (including wages during the notice period).	After all attending committee members reviewed relevant documents/ information, the proposal was passed without objection.	Director Chih-Yu Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. After all attending directors reviewed relevant documents/ information, the meeting chairman's enquiry, all other attending directors passed the proposal without objection.
The 4 <sup>th</sup> meeting of the 13 <sup>th</sup> Board December 24, 2020	The 1 <sup>st</sup> meeting of the 4 <sup>th</sup> Remuneration Committee December 24, 2020	1.The 2020 estimated bonuses to be distributed to managerial officers.	Passed by all members of the Remuneration Committee unanimously.	Director Sen-Mei Cheng, Director Yi-Ming Lin and Director Cheng-Wei Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The (acting) meeting

Meeting Dates and Sessions of Board Meeting	Meeting Dates and Sessions of Remuneration Committee	Contents of Resolutions	Resolution of Remuneration Committee	The Company's Response to the Opinions of the Remuneration Committee
				chairman's enquiry, all other attending directors passed the proposal without objection.
The 5 <sup>th</sup> meeting of the 13 <sup>th</sup> Board March 24, 2021	The 2 <sup>nd</sup> meeting of the 4 <sup>th</sup> Remuneration Committee March 24, 2021	1.The compensations distribution to employees and directors of 2020.	Passed by all members of the Remuneration Committee unanimously.	Passed by all attending board directors unanimously.

3.4.5 Status of Fulfilling Social Responsibilities and Discrepancies with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons.

Assessment Item	Operation Status			Discrepancies with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Does the Company assess the risk of environmental, social, and governance (ESG) issues in relation to company operations based on the materiality principles, and establish policies or strategies in relation to risk management?		✓	Although the Company has not yet formulated relevant risk management policies or strategies, the Company has formulated its corporate social responsibility policy and has operated in accordance with this policy. Upon the occurrence of a major event, a meeting will be held to assess the relevant risk of environmental, social and corporate governance issues.	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/GTSM Listed Companies” and relevant laws.
2. Does Company establish exclusively (or concurrently) dedicated unit authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Quality Assurance Department of the Company is responsible for social responsibility related business, and regularly reports it to management.	No major difference.
3. Environmental Topic (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) The Company has qualified the certification of ISO9001 environmental management system (certification date: 1999/4/22, validity period: 2018/11/2~2021/11/2), ISO14001 easy tape environmental management system (certification date 2010/11/18, validity period: 2019/11/18~2022/11/18), and Management of energy, water resources, solid wastes,	No major difference.

Assessment Item	Operation Status			Discrepancies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		greenhouse gas, and air pollution by nature of the industry. (2) 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. To reduce the impact of materials on the environment, the Company proactively develops different kinds of environmentally friendly materials and advocates the recycling and reuse of solid wastes from the production process. In addition, the Company also makes efforts in quality control to hold down the defective rate, reduce waste and avoid repeated loss.	No major difference.
(3) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take action on related issues?	✓		(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.
(4) Did the Company produce statistics on the greenhouse gas emissions, water consumption, and total waste in the last two years? Has the Company established policies for energy conservation, carbon reduction, greenhouse gas reduction, water conservation, and waste management?	✓		(4) The Company launched an inspection on energy to reduce 1% of power consumption as the objective. 1. A timer was added to the charger of the microcomputer of rail car to reduce power consumption by 50%. 2. A power saving device has been installed at the drinking water	No major difference.



Assessment Item	Operation Status			Discrepancies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
			<p>machine for the efficient use of energy.</p> <p>3. Repeated use of plastic packing bags to reduce the consumption of small and medium size plastic bags by approximately 2,000 pcs each.</p> <p>4. Installation of LED light tubes to prolong their service life and reduce consumption of power by 50%.</p> <p>5. Removal of obsolete ice boxes to reduce power consumption by 0.1 kWh per unit.</p> <p>6. Advocacy of digitization to replace hard copy of documents, which helps to save the consumption of photocopy paper incrementally over the years.</p>	
<p>4. Social Topic</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(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 Safety and Health Concepts and Work Rules," and related management policies and procedures in accordance with labor-related regulations and referring to the spirit of the International Bill of Human Rights of the "Universal Declaration of Human Rights" in order to protect the rights and</p>	No major difference

Assessment Item	Operation Status			Discrepancies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
(2)Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in its employee remuneration?	✓		interests of employees. (2)The Company has formulated the "Work Rules," and "Regulations Governing Employee Performance Evaluation" to standardize remuneration and benefit measures, regularly conduct performance evaluation and distribute performance bonuses. In addition, the Company distributes employee remuneration and year-end bonuses based on business performance and employee personal performance every year to share earnings with employees.	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 and health education and training.	No major difference.
(4)Does the Company provide its	✓		(4)In order to improve the	No major difference.

Assessment Item	Operation Status			Discrepancies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
employees with career development and training sessions?			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.	
(5) Does the Company comply with the related laws and regulations and international standards regarding customer health and safety, customer privacy, marking communication, and labeling of its products, and services and establish policies to protect the rights and interests of customers and provide procedures for grievances?	✓		(5) The Company has formulated the "Procedures for Contract Review." It is necessary to confirm the customer's transaction conditions (environmental protection law and regulations, customer environmental protection requirements, etc.) in advance to ensure that the product quality meets the needs of the customers. The Company values customer opinions. In addition to paying each customer a visit, the Company regularly conducts customer satisfaction surveys. Business contact windows and email addresses are also setup on the company's website to provide channels for customer questions, complaints, and suggestions. The Company will have the questions of customers handled properly according to the principle of integrity in order to protect customer rights and interests.	No major difference.
(6) Has the Company established management policies to request that suppliers comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does	✓		(6) The Company has formulated the "Procedures for External Supplier Management" to review the delivery date, quality and process capability (including materials safety, environment and chemicals management) of the suppliers	No major difference.

Assessment Item	Operation Status			Discrepancies with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
the Company keep track of the implementation of such policies?			<p>every month; also, selected competent suppliers as long-term partners. The Company when purchasing goods will require the raw materials or products provided by the supplier to comply with environmental protection, restricted substances and industrial safety and health regulations and obtain relevant certifications, if necessary, to ensure the safety of products.</p> <p>For the suppliers with poor product quality identified in a review, the Company will counsel them to improve their quality, environmental protection concepts and technologies; also, will work with suppliers to develop and apply green environmental protection, and jointly enhance corporate social responsibility. If there is a violation committed, the Company may terminate the cooperative relationship with the supplier at any time in order to fulfill its social responsibilities.</p>	
5. Did the Company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information about the Company? Did the Company apply for assurance or guarantee of such reports to a third-party certification body?		✓	The Company discloses relevant and reliable corporate social responsibility-related information on the Company's website, Market Observation Post System and annual report.	<p>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</p>

Assessment Item	Operation Status			Discrepancies with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
				TWSE/GTSM Listed Companies” and relevant laws.
<p>6. Where the Company establishes its own corporate social responsibilities according to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the discrepancy between its operation and the principles established:</p> <p>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.</p>				
<p>7. Other important information to facilitate the understanding of the status of corporate social responsibility operation:</p> <p>(1) Environmental protection:</p> <p>The Company’s product quality is in line with environmental regulations.</p> <p>(2) Community participation:</p> <p>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.</p> <p>(3) Human rights:</p> <p>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.</p> <p>(4) Social welfare:</p> <p>The Company occasionally participates in various social donation charity activities, such as, sponsorship for the handicapped families, Pearl S. Buck donation fund, sponsorship of the Taiwan Senior Professional Golf, Taiwan Enterprises Series A Soccer Game, Parent Association of the National Changhua University Industrial Senior High School, Changhua Development Campus of Taiwan Fund for Children and Families, and the encouragement of the voluntary firefighting brigade to actively give back to the community.</p> <p>(5) Safety and health:</p> <p>The Company has established a labor safety and health office to promote and implement the related businesses of environmental protection, safety, and health.</p> <p>(6) Consumer rights:</p> <p>The Company has established relevant operating procedures to safeguard consumer rights.</p>				

3.4.6 Status of Fulfilling Ethical Management and Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons.

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
1.Establishment of Ethical Corporate Management Policies and Programs				
(1)Has the Company formulated the ethical corporate management policy and approved by the Board of Directors; also, stated in the regulations and external documents the policies and practices of ethical corporate management, as well as the board and senior management’s commitment to actively implement the ethical corporate management policy?	✓		(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)Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior? Has the Company established also preventive programs for unethical behavior containing at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(2)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.

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(3) Has the Company established in these preventive programs operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, has it implemented them, and does it periodically review them?	✓		(3)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.
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)Has the Company		✓	(2)The Company has not set up a	No major difference.

Assessment Item	Operation Status			Discrepancies with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
<p>established a dedicated unit to implement ethical corporate management approved by the Board and report regularly (as least once a year) to the Board the status of implementation and supervision of the ethical management policy and preventive programs of unethical behavior?</p> <p>(3)Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4)Has the company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical</p>	<p>✓</p> <p>✓</p>		<p>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.</p> <p>(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 Opinion Mailbox," to provide appropriate communication channels.</p> <p>(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</p>	<p>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/GTSM Listed Companies" and relevant laws.</p> <p>No major difference.</p> <p>No major difference.</p>



Assessment Item	Operation Status			Discrepancies with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
<p>behavior in order to audit and prevent the compliance with the preventive programs of unethical behavior, or hire a CPA to perform the audit in order to achieve ethical corporate management?</p> <p>(5)Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	✓		<p>annual audit plan and regularly reports the audit implementation to the Audit Committee and Board of Directors.</p> <p>(5)The Company promotes various education and training courses and propaganda on a regular or occasional basis.</p>	No major difference.
<p>3. Operation of the Integrity Channel</p> <p>(1)Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	✓		<p>(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.</p> <p>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.</p>	No major difference.
<p>(2)Has the Company established standard operating procedures for investigation, post-investigation measures,</p>	✓		<p>(2)The investigation of the reported incident is to be handled confidentially by the personnel designated by the Administration</p>	No major difference.

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
<p>and related mechanisms to ensure confidentiality of a whistleblower complaint?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	✓		<p>Office or the responsible unit appointed by the Chairman. The identity of the informant and the content of the reported incident are kept confidential.</p> <p>(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.</p>	No major difference.
<p>4. Enhancing Information Disclosure</p> <p>(1) Does Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</p>	✓		<p>(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.</p>	No major difference.
<p>5. If the Company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation.</p> <p>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.</p>				
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).</p>				

Assessment Item	Operation Status			Discrepancies with the ‘‘Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies’’ and Reasons
	Yes	No	Summary Description	
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.				

### 3.4.7 Where the Company Establishes Corporate Governance Principles and Relevant Regulations, the Inquiry Method Thereof Shall be Disclosed

#### 1. The Company has Established the 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’ Meetings.
- (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](http://www.paiho.com)).

### 3.4.8 Other Important Information of Corporate Governance Operations :

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.

Advanced study of the Board Directors and managerial officers in 2020:

Title	Name	Study Date	Organizer	Courses	Study Hours
Independent Director	Jui-Lin Lo	March 16, 2020	The National Federation of CPA Associations of the R.O.C	Fiduciary Act and Taxation on Trust Assets.	3
Independent Director	Jui-Lin Lo	March 23, 2020	The National Federation of CPA Associations of the R.O.C	The application of the AML/CFT Internal Control System of the Accountant Firms.	3
Independent Director	Jui-Lin Lo	June 19, 2020	The National Federation of CPA Associations of the R.O.C	Back Flow of Overseas Capital to Taiwan.	3
Chairman and CEO	Sen-Mei Cheng	July 3, 2020	Taiwan Investor Relations Institute	A Lesson or Break Down? How to turn Crisis into Opportunity.	3
Director	Hsin-Jung Cheng				3
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng				3
Chairman and CEO	Sen-Mei Cheng	August 11, 2020	Taiwan Corporate Governance Association	The Trend of digital technology and Artificial Intelligence and Risk Management.	3
Corporate Director and General Manager	Cheng-Wei Cheng				3
Director	Hsi-Ming Pai				3
Director	Yi-Lun Cheng				3
Director	Hsin-Jung Cheng				3
Director and Vice General Manager	Yi-Ming Lin				3
Independent Director	Chung-Cheng Wang				3

Title	Name	Study Date	Organizer	Courses	Study Hours
Independent Director	Jui-Lin Lo	August 11, 2020	Taiwan Corporate Governance Association	The Trend of digital technology and Artificial Intelligence and Risk Management.	3
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng				3
Vice General Manager	Kuei-Chu Yeh				3
Vice Senior Manager, Finance Department	Yao-Da Huang	August 20, 2020 to August 21, 2020	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Director	Yi-Lun Cheng	September 14, 2020	Accounting Research and Development Foundation	Case Study on Phony Financial Reporting and Perspective of Critical Financial Information.	3
Chairman and CEO	Sen-Mei Cheng	September 19, 2020	Taiwan Investor Relations Institute	Corporate Governance – Panacea for Enterprises! Independent Directors – A Double-Bladed Knife	3
Independent Director	Jui-Lin Lo	September 21, 2020	The National Federation of CPA Associations of the R.O.C	Corporate Rescue Skills	3
Independent Director	Chia-Yu Chen	September 28, 2020 to September 29, 2020	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Chairman and CEO	Sen-Mei Cheng	November 10, 2020	Taiwan Corporate Governance Association	Risk Management in the New Era – Continued Monitoring of Operation Risk.	3
Corporate Director and General Manager	Cheng-Wei Cheng				3
Director	Hsin-Jung Cheng				3
Director	Yi-Lun Cheng				3

Title	Name	Study Date	Organizer	Courses	Study Hours
Director	Hsi-Ming Pai	November 10, 2020	Taiwan Corporate Governance Association	Risk Management in the New Era – Continued Monitoring of Operation Risk.	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 General Manager	Kuei-Chu Yeh				3
Independent Director	Jui-Lin Lo	November 30, 2020	Association of Certified Public Accounts	The Patterns of Management Right Struggle and the Prevention and Solution for Stalemate.	3
Director	Yi-Lun Cheng	December 3, 2020	Accounting Research and Development Foundation	Case Study on Securities Exchange with Disguised Foreign Capital and Exploring the Legal Responsibility	3

3. Relevant Certificates Designated by the Competent Authorities to be Acquired by the Company and the Personnel Responsible for Financial Information Transparency:

Two persons in the President Office and 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 24, 2021

Based on the findings of a self-assessment, Taiwan Paiho Limited states the following with regard to its internal control system during the year 2020:

- 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. The 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, 2020 (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 24, 2021, with none of the nine 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. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.10 In the Recent Year and Up to the Annual Report Publication Date, Disclose Any Sanctions Imposed in Accordance with the Law upon the Company or Its Internal Personnel, Any Sanctions Imposed by the Company upon Its Internal Personnel for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements: None.

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

1. Material Resolutions of 2020 Annual General Shareholders' Meeting and the Implementation Status thereof :

Meeting Date	Material Resolutions and Implementation Status		
June 10, 2020	1. Recognized the 2019 Business Report and Financial Statements. Implementation Status : Approved by Shareholders' Meeting.		
	2. Recognized of the proposal for distribution of 2019 Profits. Implementation Status : Approved a cash dividend per share of NT\$3, and allocation baseline date was August 9, 2020. Cash dividend payment date was completed by August 28, 2020.		
	3. Re-election for the 13th Directors of the Company. Election Result :		
	Office held	Shareholder's Name	No. of Vote
	Director	Sen-Mei Cheng	241,341,925
	Director	Yi-Ming Lin	153,590,104
	Director	Everise Investment Co., td. (Represented by Cheng-Wei Cheng)	152,851,293
	Director	Hsi-Ming Pai	151,932,850
	Director	Yi-Lun Cheng	150,635,540
	Director	Hsin-Jung Cheng	150,053,977
	Independent Director	Jui-Lin Lo	149,642,492
	Independent Director	Chung-Cheng Wang	149,573,789
	Independent Director	Chia-Yu Chen	149,423,093
It was approved for registration by the Ministry of Economic Affairs on June 30, 2020 and disclosed on the Company's website.			
4. Amendment to Articles of Incorporation.			



Meeting Date	Material Resolutions and Implementation Status		
	<p>Implementation Status : It was approved for registration by the Ministry of Economic Affairs on June 30, 2020 and disclosed on the Company’s website.</p> <p>5. Amendments to Rules and Procedures for Shareholders’ Meetings.</p> <p>Implementation Status : It was announced on the Company’s website on June 24, 2020 and operated according to the amended Rules and Procedures for Shareholders’ Meetings.</p> <p>6. Amendments to Operational Procedures for Loaning of Company Funds.</p> <p>Implementation Status : It was announced on the Company’s website on June 24, 2020 and operated according to the amended Operational Procedures for Loaning of Company Funds.</p> <p>7. Amendment to Amendments to Regulation Governing Making of Endorsements/Guarantees</p> <p>Implementation Status : It was announced on the Company’s website on June 24, 2020 and operated according to the amended Regulation Governing Making of Endorsements/Guarantees.</p> <p>8. Lifting of new director of non-competition restrictions.</p> <p>Implementation Status : Shareholders’ Meeting approved to lift the following Directors of the non-competition restrictions :</p>		

Meeting Date	Material Resolutions and Implementation Status			
				<ul style="list-style-type: none"> <li>●Director of He Mei Xing Ye Company Ltd.</li> <li>●Director of Zhong Yuan Xing Ye Company Ltd.</li> <li>●Chairman of Vietnam Paiho Limited.</li> <li>●Director of Braits Company Limited.</li> <li>●Chairman of Paiho North America Corporation.</li> <li>●Director of Hong Kong Antex Limited.</li> <li>●Director of Pt. Paiho Indonesia.</li> <li>●Director of Wuxi Paisem Chemical Fibre Co.,</li> </ul>
	Director	Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng		<ul style="list-style-type: none"> <li>●Director of Paiho North America Corporation.</li> <li>●Director of Braits Company Limited.</li> <li>●Supervisor of Dongguan Paihong Industry Co., Ltd.</li> </ul>
	Director	Yi-Lun Cheng		●Director of Pt. Paiho Indonesia.
	Director	Hsin-Jung Cheng		<ul style="list-style-type: none"> <li>●Vice General Manager of Paiho Shih Holdings Corporation.</li> <li>●Vice General Manager of Dongguan Paihong Industry Co., Ltd.</li> <li>●Chairman of China Star International Limited.</li> <li>●Chairman of Dongguan Paiho Powder Coating Co., Ltd.</li> <li>●Chairman of Wuxi Paisem Chemical Fibre Co.,</li> <li>●Director of Paiho Group Inc.</li> <li>●Director of Paiho Holdings Limited.</li> <li>●Supervisor of Vietnam Paihong Limited Company.</li> </ul>
	Independent Director	Jui-Lin Lo		●Independent director and member of Remuneration Committee, Giant Manufacturing Co., Ltd.
	Independent Director	Chung-Cheng Wang		●Chairman of Huahsiang Construction Co., Ltd.

2. Material Resolutions of Board of Directors' Meetings in the Recent Year and Up to the Annual Report Publication Date

Term	Meeting Date	Material Resolutions
The 18 <sup>th</sup> meeting of the 12 <sup>th</sup> board	March 19, 2020	<p>(1)Approved the Company's proposed credit line application with Banks of NT\$ 1,650,000 thousand and US\$ 10,700 thousand (or equivalent of new taiwan dollar) for its operations.</p> <p>(2)Approved the Company to make endorsement/guarantees for its affiliates.</p> <p>(3)Approved the appointment of Paiho Indonesia Company as a director of the Company.</p> <p>(4)Approved the Company's appointing representatives and authorized signatories of the wholly-owned (100%) subsidiaries listed in Annex 1.</p> <p>(5)Approved distribution of 2019 employees' compensation and remuneration to Directors.</p> <p>(6)Approved the 2019 Business Report and Financial Statements.</p> <p>(7)Approved the proposal for distribution of 2019 Profits.</p> <p>(8)Approved the distribution of cash dividends for 2019.</p> <p>(9)Approved as of the end of December, 2019, the Company has cumulative amount of investment in China.</p> <p>(10)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, 2019.</p> <p>(11)To submit the Shareholders' Meeting election to re-elect for the 13<sup>th</sup> Directors of the Company.</p> <p>(12)Approved the 2019 Statement of Internal Control System.</p> <p>(13)Approved amendments to Remuneration Committee Charter.</p> <p>(14)Approved amendments to Audit Committee Charter.</p> <p>(15)Approved amendments to Rules of Procedure for Board of Directors Meetings.</p> <p>(16)Approved amendments to Corporate Governing Best Practice Principles.</p> <p>(17)To submit the Shareholders' Meeting resolution to amend the Rules of Procedure for Shareholders Meetings.</p> <p>(18)To submit the Shareholders' Meeting resolution to amend the Operational Procedures for Loaning of Company Funds.</p> <p>(19)To submit the Shareholders' Meeting resolution to</p>

Term	Meeting Date	Material Resolutions
		<p>amendment the Regulation Governing Making of Endorsements/Guarantees.</p> <p>(20)To submit the Shareholders' Meeting resolution to lifting of new director of non-competition restrictions.</p> <p>(21)Approved to convene 2020 Annual General Shareholders' Meeting's date, time, venue and the matters, and shareholders may also exercise voting rights by electronically.</p> <p>(22)Approved 2020 Annual General Shareholders' Meeting relevant matters of accepting the shareholders proposals and shareholders nomination of directors and independent directors' candidates.</p> <p>Extemporary Motions</p> <p>(1)Approved the termination of the employment contract of Mr. Chih-Yu Cheng and the calculation of severance pay (including wages during the notice period).</p>
The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> board	April 21, 2020	<p>(1) Approved 2020 CPAs' audit fees.</p> <p>(2)Approved the assessment of the independence and competency of the certified public accountants.</p> <p>(3)To submit the Shareholders' Meeting resolution to amendment the Articles of Incorporation.</p> <p>(4)Approved the amendment to the matters for convening the 2020 Annual General Shareholders' Meeting of the Company.</p> <p>(5)To submit the Shareholders' Meeting election the list of candidates for directors (including independent directors).</p> <p>(6)To submit the Shareholders' Meeting resolution to lifting of new director of non-competition restrictions.</p>
The 20 <sup>th</sup> meeting of the 12 <sup>th</sup> board	May12, 2020	<p>(1)Approved the Company to make endorsement/guarantees for its affiliates.</p>
The 1 <sup>st</sup> meeting of the 13 <sup>th</sup> board	June 18,2020	<p>(1) Director Sen-Mei Cheng was elected as chairman.</p> <p>(2) Director Yi-Ming Lin was elected as vice chairman.</p> <p>(3)Approved the Company's proposed credit line application with Banks of NT\$ 860,000 thousand and US\$ 15,000 thousand (or equivalent of new taiwan dollar) for its operations.</p> <p>(4)Approved the Company to make endorsement/guarantees for its affiliates.</p> <p>(5)Approved the review of the qualifications of the members to the 4th Remuneration Committee, the</p>

Term	Meeting Date	Material Resolutions
		Appointment Contract and Remuneration. All nominees are qualified.
The 2 <sup>nd</sup> meeting of the 13 <sup>th</sup> board	August 11, 2020	(1)Approved the Company to make endorsement/guarantees for its affiliates. (2)Mr. Sen-Mei Cheng is appointed the CEO of the Company. (3)Mr. Cheng-Wei Cheng is appointed the General Manager of the Company. (4)Approved Paiho Shih Company, invested in Taiwan to establish subsidiaries. (5)Approved to increase the capital of Wuxi Paiwei Company.
The 3 <sup>rd</sup> meeting of the 13 <sup>th</sup> board	November 10, 2020	(1)Approved the Company to make endorsement/guarantees for its affiliates.
The 4 <sup>th</sup> meeting of the 13 <sup>th</sup> board	December 24, 2020	(1)Approved the Company's proposed credit line application with Banks of NT\$ 350,000 thousand for its operations. (2)Approved the Company to make endorsement/guarantees for its affiliates. (3)Approved the Company's 2021 internal control audit plan. (4)Approved amendments to [Accounting System] of the Company. (5)Approved the Company's 2021 business plan and annual budget. (6)Approved distribution of 2020 estimated bonus of managerial officers.
The 5 <sup>th</sup> meeting of the 13 <sup>th</sup> board	March 24, 2021	(1)Approved the Company's proposed credit line application with Banks of NT\$ 1,600,000 thousand and US\$ 10,700 thousand (or equivalent of new taiwan dollar) for its operations. (2)Approved the Company to make endorsement/guarantees for its affiliates. (3)Approved the appointment of the Corporate Governance Officer of the Company. (4)Approved the 2020 Statement of Internal Control System. (5)Approved 2021 CPAs' audit fees. (6)Approved the assessment of the independence and competency of the certified public accountants. (7)Approved distribution of 2020 employees' compensation and remuneration for Directors.

Term	Meeting Date	Material Resolutions
	March 24, 2021	<p>(8) Approved the 2020 Business Report and Financial Statements.</p> <p>(9) Approved the proposal for distribution of 2020 earnings.</p> <p>(10) Approved the distribution of cash dividends for 2020.</p> <p>(11) Approved as of the end of December, 2020, the Company has cumulative amount of investment in China.</p> <p>(12) 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, 2020.</p> <p>(13) To submit the Shareholders' Meeting resolution to amend the Rules of Procedure for Shareholders Meetings.</p> <p>(14) To submit the Shareholders' Meeting resolution to amend the Procedures for Governing the Election of Directors.</p> <p>(15) Approved to convene 2021 Annual General Shareholders' Meeting's date, time, venue and the matters, and shareholders may also exercise voting rights by electronically.</p> <p>(16) Approved 2021 Annual General Shareholders' Meeting relevant matters of accepting the shareholders proposals.</p>

3.4.12 Where, in the Recent Year and Up to the Annual Report Publication Date, a Director has Expressed a Dissenting Opinion with Respect to a Material Resolution Approved by the Board of Directors, and Said Dissenting Opinion has been Recorded or Prepared as a Written Declaration, Disclose the Principal Content thereof:

1. The election of the 13th term of the Company's Board of Directors was resolved in the 18th board meeting of the 12th term on March 19, 2020. Director Chih-Yu Cheng had raised objections against the nine selected directors; therefore, a vote was taken in accordance with Article 13 of the "Rules of Procedure for Board of Directors Meetings." The proposal was approved with a show of hands by the attending 10 directors and opposed by 1 director, Chih-Yu Cheng.
2. The 2020 CPAs' audit fees was resolved in the 19th board meeting of the 12th term on April 21, 2020. The proposal was approved with a show of hands by the attending 10 directors and opposed by 1 director, Chih-Yu Cheng.
3. The assessment of the independence and competency of the certified public accountants was resolved in the 19th board meeting of the 12th term on April 21, 2020. The proposal was approved with a show of hands by the attending 10 directors and opposed by 1 director, Chih-Yu Cheng.

4. Amendment to “Articles of Incorporation” was resolved in the 19th board meeting of the 12th term on April 21, 2020. The proposal was approved with a show of hands by the attending 10 directors and opposed by 1 director, Chih-Yu Cheng.
5. Amendment to the matters for convening the 2020 Annual General Shareholders’ Meeting of the Company was resolved in the 19th board meeting of the 12th term on April 21, 2020. The proposal was approved with a show of hands by the attending 10 directors and opposed by 1 director, Chih-Yu Cheng.
6. The list of candidates for directors (including independent directors) was resolved in the 19th board meeting of the 12th term on April 21, 2020. The resolutions are as follows:
  - (1) Ms. Yi-Lun Cheng was candidates for the 13th term of the board of directors. The proposal was approved with a show of hands by 10 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders’ Meeting for election.
  - (2) Director Hsi-Ming Pai and Director Hsin-Jung Cheng were candidates for the 13th term of the board of directors. Director Hsi-Ming Pai and Director Hsin-Jung Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved with a show of hands by 8 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders’ Meeting for election.
  - (3) Director Jui-Lin Lo, Director Chung-Cheng Wang and Director Chia-Yu Chen were candidates for the 13th term of the board of independent directors. Director Jui-Lin Lo, Director Chung-Cheng Wang and Director Chia-Yu Chen had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved with a show of hands by 7 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders’ Meeting for election.
  - (4) Director Sen-Mei Cheng, Director Yi-Ming Lin and Director Cheng-Wei Cheng were candidates for the 13th term of the board of directors. Director Sen-Mei Cheng, Director Yi-Ming Lin and Director Cheng-Wei Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved with a show of hands by 7 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders’ Meeting for election.
  - (5) According to the aforementioned voting results, candidates for the 13th term of the board of directors are: Mr. Sen-Mei Cheng, Mr. Yi-Ming Lin, the representative of Everise Investment Co.,Ltd. - Mr. Cheng-Wei Cheng, Mr. Hsi-Ming Pai, Ms. Yi-Lun Cheng, Mr. Hsin-Jung Cheng, Mr. Jui-Lin Lo, Mr. Chung-Cheng Wang and Ms. Chia-Yu Chen. The proposal was submitted to the 2020 Annual General Shareholders’ Meeting for election.

7. Lifting of new director of non-competition restrictions was resolved in the 19th board meeting of the 12th term on April 21, 2020. The resolutions are as follows:

- (1) Ms. Yi-Lun Cheng was lifting of non-competition restrictions. The proposal was approved with a show of hands by 10 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for discussion.
- (2) Director Hsin-Jung Cheng, Director Jui-Lin Lo, and Director Chung-Cheng Wang were lifting of non-competition restrictions. Director Hsin-Jung Cheng, Director Jui-Lin Lo, and Director Chung-Cheng Wang had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved with a show of hands by 7 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for discussion.
- (3) Director Sen-Mei Cheng, Director Yi-Ming Lin and Director Cheng-Wei Cheng were lifting of non-competition restrictions. Director Sen-Mei Cheng, Director Yi-Ming Lin and Director Cheng-Wei Cheng had a conflict of interest for the said purpose so took a recusal and did not participate in the discussion and voting. The proposal was approved with a show of hands by 7 attending directors and opposed by 1 director, Chih-Yu Cheng. The proposal was submitted to the 2020 Annual General Shareholders' Meeting for discussion.
- (4) According to the aforementioned voting results, The new director candidates Mr. Sen-Mei Cheng, Mr. Yi-Ming Lin, the representative of Everise Investment Co.,Ltd. - Mr. Cheng-Wei Cheng, Ms. Yi-Lun Cheng, Mr. Hsin-Jung Cheng, Mr. Jui-Lin Lo, and Mr. Chung-Cheng Wang were lifting of non-competition restrictions. The proposal was submitted to the 2020 Annual General Shareholders' Meeting s for discussion.

3.4.13 A Summary of Resignations and Dismissals, in the Recent Year and Up to the Annual Report Publication Date, of the Company's Chairman, General Manager, Accounting Officer, Financial Officer, Internal Audit Officer, Corporate Governance Officer, and Research and Development Officer: None.



### 3.5 Information on Certified Public Accountant Fees

Accounting Firm	CPA	CPA's Audit Period	Note
Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	January 1, 2020 to December 31, 2020	None

Unit : NT\$ thousands

Items of Fees Intervals of the Amount		Audit Fee	Non-Audit Fee	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	Subtotal		
Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	3,770	\$0	\$0	\$0	\$520	\$520	January 1, 2020 to December 31, 2020	Note 1

Note 1: Non-audit fee – other mainly transfer pricing services fee is NT\$250 thousand in 2019, the National Taxation Bureau audited the transfer pricing service charge amounting to NT\$200 thousand in 2017 and the non-supervisor salary checklist service fee is NT\$70 thousand.

3.5.1 Non-Audit Fee Paid to CPAs, the Audit Firm and Its Affiliates Accounted for More Than One-Fourth of Total Audit Fee: Not applicable.

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: Not applicable.

3.5.3 Audit Fee Reduced More Than 10% over Year: Not applicable.

### 3.6 Information on Replacement of Certified Public Accountant :

#### 3.6.1 Former CPAs

Date of Change	From 2019 Q4 financial report.		
Reasons and Explanation of Changes	In order to cooperate with the internal work reassignment and arrangement of Deloitte Taiwan, CPA Shu-Chin Chiang and CPA Hsiao-Fang Yen responsible for the audit of the Company’s financial report have been replaced by CPA Shu-Chin Chiang and CPA Ting-Chien Su.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Status <div>Client</div>	CPA	Consignor
	Appointment terminated automatically	Not applicable	Not applicable
	Appointment rejected (discontinued)	Not applicable	Not applicable
The Opinions Other than Unmodified Opinion Issued in the Past Two Years and the Reasons for the Said Opinions	None		
Is There Any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	✓	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

### 3.6.2 Successor CPAs

Accounting Firm	Deloitte &Touche
CPA	CPA Shu-Chin Chiang and CPA Ting-Chien Su
Date of Engagement	From 2019 Q4 financial report.
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

### 3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the ‘‘Regulations Governing Information to be Published in Annual Reports of Public Companies’’:

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 Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of such Accounting Firm:

None.

### 3.8 Net Change in Shareholding and in Shares Pledged by Directors, Managerial Officers, and Shareholders with 10% Shareholdings or More in the Recent Year and Up to the Annual Report Publication Date

#### 3.8.1 Net Change in Shareholding and in Shares Pledged by Directors, Managerial Officers, and Shareholders with 10% Shareholdings or More

Title	Name	2020		As of April 19, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and CEO	Sen-Mei Cheng	0	0	0	0
Vice Chairman and Vice General Manager, Sales Department	Yi-Ming Lin	0	0	0	0
Director (Note1)	Everise Investment Co., Ltd. Representative: Cheng-Wei Cheng	0	0	0	0
Director	Hsi-Ming Pai	0	0	0	0
Director (Note1)	Yi-Lun Cheng	0	0	0	0
Director	Hsin-Jung Cheng	0	0	0	0
Independent Director	Jui-Lin Lo	0	0	0	0
Independent Director	Chung-Cheng Wang	0	0	0	0
Independent Director	Chia-Yu Chen	0	0	0	0

Title	Name	2020		As of April 19, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
General Manager	Cheng-Wei Cheng	455,000	0	0	0
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng	455,000	0	0	0
Vice General Manager, President office	Kuei-Chu Yeh	25,000	0	8,000	0
Senior Manager, Product Development	Huan-Tung Tseng	2,000	0	0	0
Senior Manager, Processing Factory	Tung-Yu Huang	0	0	0	0
Senior Manager, Head Factory	Hui-Huang Huang	0	0	0	0
Senior Manager, Sales Department	Kuo-Chih Lai	0	0	0	0
Project Senior Manager, Sales Department	Mei-Ting Yang	0	0	0	0
Vice Senior Manager, Finance Department and Chief of Accounting Department	Yao-Da Huang	2,000	0	0	0
Vice Senior Manager, Sales Development	Po-Hsun Huang	0	0	0	0
Corporate Governance Officer (Note 2)	Yi-Wen Liao	0	0	0	0
Director (Note 3)	Chih-Yu Cheng	( 28,000)	0	0	0
Director (Note 3)	Shih-Chao Huang	0	0	0	0

Title	Name	2020		As of April 19, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Director (Note 3)	Hsiu-Mai Lee Cheng	0	0	0	0
Director (Note 3)	Kuei-Chu Yeh	25,000	0	8,000	0

Note 1: Assume office on June 10, 2020.

Note 2: Assume office on March, 24 2021.

Note 3: Relieved from office on June 10, 2020.

3.8.2 Stock Trade with Related Party : None.

3.8.3 Stock Pledge with Related Party : None.

### 3.9 Related Party Relationship among the Company's Top Ten Shareholders

April 19, 2021; Unit: Shares

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholders		Note
	Number of Shares	Proportion	Number of Shares	Proportion	Number of Shares	Proportion	Name	Relationship	
Fubon Life Insurance Co., Ltd Representative: Ming-Hsiung Tsai	23,309,000	7.82%	0	0.00%	0	0.00%	None	None	None
Ming-Hsiung Tsai	0	0.00%	0	0.00%	0	0.00%	None	None	None
Capital Securities (HK) Ltd.	11,965,959	4.02%	0	0.00%	0	0.00%	None	None	None
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang	10,870,000	3.65%	0	0.00%	0	0.00%	None	None	None
Tiao-Kuei Huang	0	0.00%	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
Everise Investment Co.,Ltd. Representative: Cheng-Wei Cheng	9,282,856	3.12%	0	0.00%	0	0.00%	None	None	None
Cheng-Wei Cheng	5,899,553	1.98%	360,551	0.12%	0	0.00%			
New Labor Pension Fund	7,860,000	2.64%	0	0.00%	0	0.00%	None	None	None
Chunghwa Post Co., Ltd.	7,844,000	2.63%	0	0.00%	0	0.00%			
Chih-Yu Cheng	7,638,309	2.56%	2,146,000	0.72%	4,010,000	1.35%	None	None	None

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholders		Note
	Number of Shares	Proportion	Number of Shares	Proportion	Number of Shares	Proportion	Name	Relationship	
Morgan Stanley & Co. International PLC.	7,025,559	2.36%	0	0.00%	0	0.00%	None	None	None
Mizuho Securities in custody of Standard Chartered Bank.	6,913,000	2.32%	0	0.00%	0	0.00%	None	None	None



3.10 The Total Number of Shares and Total Equity Stake Held in Single Enterprise by the Company, Its Directors, and Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

April 19, 2021; Unit: Shares

Investments Company (Note)	Investments by the Company		Investments from Directors, Managerial Officers, and Directly or Indirectly Controlled Companies		Total Investment	
	Number of Shares	Proportion	Number of Shares	Proportion	Number of Shares	Proportion
Paiho Int'l Company	33,368,564	100%	0	0%	33,368,564	100%
Paiho Group Company	26,505,685	100%	0	0%	26,505,685	100%
Spring Rich Limited	Not Applicable	100%	Not Applicable	0%	Not Applicable	100%
Paiho North America Company	800,000	100%	0	0%	800,000	100%
Paiho Indonesia Company	178,200	99%	1,800	1%	180,000	100%
Vietnam Paiho Company	Not Applicable	33%	Not Applicable	67%	Not Applicable	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

Month/Year	Issue Price	Authorized Share Capital		Capital Stock		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

Month/Year	Issue Price	Authorized Share Capital		Capital Stock		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

Month/Year	Issue Price	Authorized Share Capital		Capital Stock		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 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.
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.

	Date	Approval Document No.	Content
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.
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.

	Date	Approval Document No.	Content
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:

April 19, 2021; Unit: shares

Type of Shares	Authorized Capital Stock				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's Structure

April 19, 2021; 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	19	109	24,018	210	24,357
Shareholding (Shares)	33	62,369,112	38,497,401	97,647,396	99,449,960	297,963,902
Shareholding Percentage	0.00%	20.93%	12.92%	32.77%	33.38%	100.00%

#### 4.1.3 Distribution Profile of Share Ownership

##### 1. Common Stock

April 19, 2021; Unit: persons/shares/%

Class of Shareholding	Number of Shareholders	Shareholding	Shareholding Percentage
1 - 999	16,714	911,336	0.31%
1,000 - 5,000	6,043	11,583,939	3.89%
5,001 - 10,000	697	5,378,410	1.81%
10,001 - 15,000	215	2,746,326	0.92%
15,001 - 20,000	137	2,501,741	0.84%
20,001 - 30,000	140	3,609,844	1.21%
30,001 - 40,000	67	2,357,570	0.79%
40,001 - 50,000	43	1,988,199	0.67%
50,001 - 100,000	101	7,230,699	2.43%
100,001 - 200,000	71	9,800,654	3.29%
200,001 - 400,000	43	12,423,285	4.17%
400,001 - 600,000	19	9,218,016	3.09%
600,001 - 800,000	11	7,666,240	2.57%
800,001 - 1,000,000	3	2,728,000	0.92%
More than 1,000,001	53	217,819,643	73.09%
Total	24,357	297,963,902	100.00%

2. Preferred Stock: Not applicable.



#### 4.1.4 List of Major Shareholders

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

April 19, 2021

Name of Major Shareholders	Shares	Shareholding (shares)	Shareholding Percentage
Fubon Life Insurance Co., Ltd Representative: Ming-Hsiung Tsai		23,309,000	7.82%
Ming-Hsiung Tsai		0	0.00%
Capital Securities (HK) Ltd.		11,965,959	4.02%
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang		10,870,000	3.65%
Tiao-Kuei Huang		0	0.00%
China Trust Commercial Bank is custody for Beevest Securities Limited		9,528,228	3.20%
Everise Investment Co.,Ltd. Representative: Cheng-Wei Cheng		9,282,856	3.12%
Cheng-Wei Cheng		5,899,553	1.98%
New Labor Pension Fund		7,860,000	2.64%
Chunghwa Post Co., Ltd.		7,844,000	2.63%
Chih-Yu Cheng		7,638,309	2.56%
Morgan Stanley & Co. International PLC.		7,025,559	2.36%
Mizuho Securities in custody of Standard Chartered Bank.		6,913,000	2.32%

4.1.5 Market Price, Net Worth, Earnings, and Dividends Per Common Share and Other Relevant Information in the Past Two Years and Up to the Printing Date of the Annual Report

Year			2019	2020	As of April 30, 2021
Item					
Market Price Per Share	Highest Market Price		96.80	89.70	99.80
	Lowest Market Price		49.00	42.25	70.20
	Average Market Price		76.97	69.63	83.49
Net Worth Per Share	Before Distribution		31.20	32.92	Note 4
	After Distribution		28.20	29.92	Note 4
Earnings Per Share	Weighted Average Shares		297,963,902	297,963,902	297,963,902
	Earnings Per Share (NT\$ dollars)	Before Distribution	5.11	5.21	Note 4
		After Distribution	5.11	5.21	Not applicable
Dividends Per Share	Cash Dividends		3	3	Not applicable
	Stock Dividends	Earnings Distribution	0	0	Not applicable
		Capital Distribution	0	0	Not applicable
	Accumulated Undistributed Dividend		0	0	Not applicable
Return on Investment	Price / Earnings Ratio (Note 1)		15.06	13.36	Not applicable
	Price / Dividend Ratio (Note 2)		25.66	23.21	Not applicable
	Cash Dividend Yield (Note 3)		3.90%	4.31%	Not applicable

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 / Average Market Price.

Note 4: As of the annual report publication date, there was no financial data on the latest quarter reviewed by the CPAs.

#### 4.1.6 The 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

The Board of Directors of the Company resolved on March 24, 2021 to appropriate a legal reserve of NT\$153,010,262 (the same currency hereinafter), special reserve of NT\$123,854,797, and cash bonus of NT\$893,891,706 (cash dividend NT\$3 per share) to the shareholders from the unappropriated earnings as of the end of 2020.

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

Unit: NT\$ thousands, except cash dividend per share in New Taiwan Dollars

Item		Year	2021
Beginning Paid-in Capital			\$2,979,639
Dividend Distribution of the Year	Cash dividend per share (NT\$)		3
	Stock dividend from retained earnings, number per Share		0
	Stock dividend from capital surplus, number per Share		0
Changes of Business Performance	Profit from operations		Note
	Profit from operations % change over the same period last year		
	Net profit		
	Net profit % change over the same period last year		
	Earnings per share		
	Earnings per share % change over the same period last year		
	Annual average investment return (the reciprocal of the P/E ratio)		
Pro Forma Earnings Per Share and P/E Ratio	If stock dividend from retained earnings were transferred to cash dividends	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	
	If no stock dividend from capital surplus	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	
	If no stock dividend from capital surplus and stock dividend from retained earnings were transferred to cash dividends	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	

Note: The Company is not required to publish its 2021 financial forecasts; therefore, the 2021 forecast data is not available.

#### 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 to Article 29 of the Articles of Incorporation are as follows:

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 the employees of parents or subsidiaries of the Company meeting certain specific conditions. Such conditions authorize the board of directors to make such decisions.

(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 2020 Compensation:

- (1) The distribution of compensation in cash to employees and remuneration in cash to directors is NT\$ 27,287,767 and NT\$ 17,589,409 respectively.

Unit: NT\$

Item	Board of Directors' Resolution	Estimates	Discrepancy	Difference	Handing Status
Employees' Compensation	\$27,287,767	\$27,366,888	(\$ 79,121)	It is adjusted according to the actual annual performance.	The amount of difference is adjusted to the statement of the first quarter of 2021.
Remuneration to Directors	17,589,409	17,653,660	( 64,251)		

- (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 stated in in the financial statements for the current period and total employees' compensation: Not applicable.

4. The Actual Distribution of Employee and Director Compensation for the Previous Year (Including the Number of Shares, Monetary Amount, and Stock Price, of the Shares Distributed), and, if There is Any Discrepancy between the Actual Distribution and the Recognized Employee, or Director Compensation, Additionally Disclosure the Discrepancy, Cause, and How It is Treated.

Unit: NT\$

Item	2019		Discrepancy	Difference	Handing Status
	Board of Directors' Resolution	Estimates			
Employees' Compensation	\$26,766,888	\$27,109,728	(\$ 342,840)	It is adjusted according to the actual annual performance.	The amount of difference is adjusted to the statement of the first quarter of 2020.
Remuneration to Directors	17,253,656	17,474,649	( 220,993)		

4.1.9 Buyback of Common Stock : 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 : None

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

## V. Operational Highlights

### 5.1 Business Content

#### 5.1.1 Business Scope

##### 1. Business Item :

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. Business Proportion

Unit: NT\$ thousands

Year Product Category	2020	
	Consolidated Net Sales	As % of Net Sales Ratio
Webbing( Shoelaces)	\$ 6,622,934	45.2
Touch Fastener	1,910,388	13.0
Elastic	1,738,990	11.9
Easy Tape and Relative Products	1,728,001	11.8
Premises (include Parking Spaces)	1,299,206	8.9
Powder Coating	288,537	2.0
Other	1,057,221	7.2
Total Net Sales	\$14,645,277	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 multi directional textile with elasticity: 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, low retraction rate, and 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, and other characteristics 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 Product Development Plan

The annual planned development in 2021 for new products of the Company include: From Line to Shape, CMYK Digital Printing Process, Reflective Series and Recycle Series.

### 5.1.2 Industry Overview

#### 1. Industry Current Status and Development

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.

The increase of labor costs and environmentally conscious, the trend of the footwear and garment relevant industry is moving towards Industry 4.0 with changes in automation and process simplification. And due to the severe impact of the

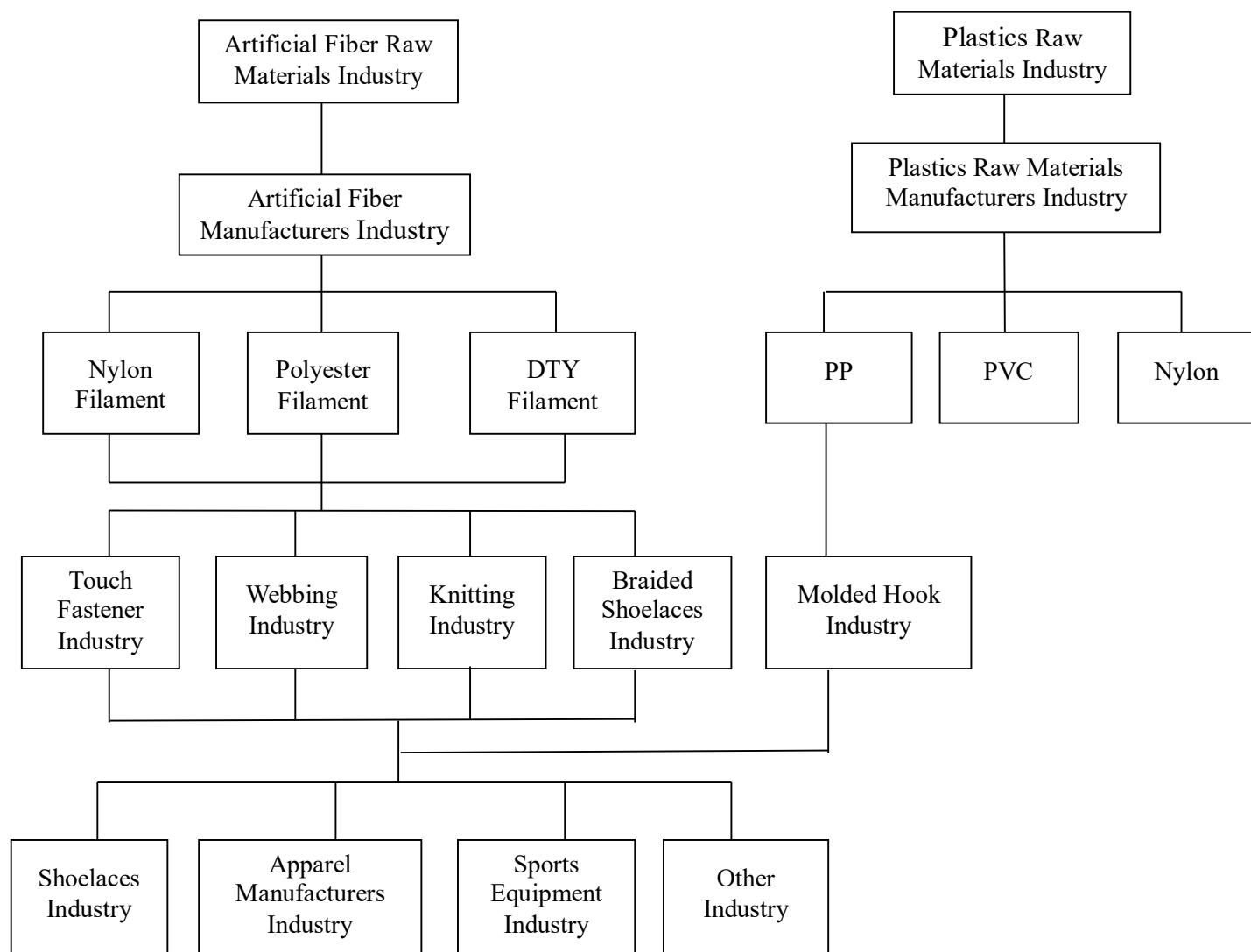


US-China trade war, many industries that our customers engaged in have accelerate moved to Southeast Asia.

In addition, COVID-19 compelled many countries to impose city quarantines and national blockades for the control and prevention of the spread of the pandemic. The result is the forced shutdown or discontinuation of operation among retailers. In response, brands tended to intensify their marketing and promotion via eCommerce aiming directly at the consumers. This also brought about the compression of the product production cycle. For the factories, quick response and delivery will be a big challenge. 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.

## 2. Relevance of Up-, Middle- and Downstream of the Industry Supply Chain



### 3. Product development trends and competition

#### (1) Development trends of products

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 ROHS 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. All the processes of the company are comprehensive and the product items are diversified. With the evolution of the AI intelligent production line, the Company's products, the custom-made textiles of jacquard digital woven fabric and jacquard engineered mesh are developed towards standard one-piece in market. Various types of post-processing and pre-processing for customer's production line are becoming the trend of the industry. The Company's business model in this area has gradually matured and has been gradually recognized by the industry with the competitiveness enhanced. 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 (R&D) Expenses in the Recent Year

The ratio of the R&D expenses over the net sales of the Company in the recent year and up to April 30, 2021 is as follows:

Unit: NT\$ thousands

Item \ Year	2020	As of April 30, 2021
Consolidated R&D Expenses	\$ 554,562	Note
Consolidated Net Sales	14,645,277	Note
Ratio of R&D Expenses to Net Sales	3.8%	-

Note: As of the annual report publication date, there was no financial data on the latest quarter reviewed by the CPAs.

#### 2. Technologies or Products Developed in the Recent Year

The most recent year development products include the Reflective Double – Sided Loop Tape, 3D Dragonfly Eyelet Webbing, Drop – Shaped Silicone Tip for Drawcord, Knitting Jacquard Elastic Webbing and High Tenacity Eyelet Webbing.

#### 3. 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 multi directional textile with elasticity, 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%-5% of net sales.

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

#### 1. Short-Term Business Development Plans

- (1) In response to the southward movement of the industry, continue to expand production capacity in Vietnam and Indonesia and strengthen the deployment of local R&D, sales and plant personnel. It is necessary to lay the foundation for competition and establish a stable competitive advantage.
- (2) Due to the US-China trade war and the trend of international brand migration, the company has enhanced the product innovation and R&D, strengthened the close interaction of domestic brands in China, maintained the breadth of development in various industries and increased the flexibility of each industry so to maintain the momentum of sales growth in China.

- (3)Expand our customer base, strengthen existing and potential customers' understanding on the intended use of our products; 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.
- (4)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, and expand to the application of military supplies.
- (5)Expand the production capacity and sales strategy planning of jacquard digital woven fabric, jacquard engineered mesh and 4-way stretchable elastic-knitted uppers.
- (6)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

Area \ Year	2019		2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	\$ 1,511,634	9.9	\$ 1,583,596	10.8
China	5,748,208	37.6	5,833,237	40.0
Asia	7,286,442	47.6	6,533,041	44.6
Americas	462,948	3.0	452,304	3.1
Others	290,422	1.9	243,099	1.5
Total	\$ 15,299,654	100.0	\$ 14,645,277	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) 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 Future Supply and Demand Status and 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 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 279 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. Favorable and Unfavorable Factors for the Development Outlook and Countermeasures

### (1) Favorable factors

#### ① Complete 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.

② Wide 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.

④ Consumers 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.

⑤ Product 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) Unfavorable factors and countermeasures

Unfavorable factors	Countermeasures
<p>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.</p>	<p>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.</p> <p>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.</p>
<p>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.</p>	<p>A. Comprehensively improve pollution prevention equipment and strengthen wastewater recycling and reuse in response to increasingly stringent environmental standards.</p> <p>B. Continue to develop new products and develop diversified and high value-added products to enhance competitiveness.</p>
<p>③ There are many small and medium-sized factories in the market to compete so the competition is ferocious.</p>	<p>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.</p> <p>B. Actively expand the comprehensive sales network to provide customers with better services.</p> <p>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.</p>

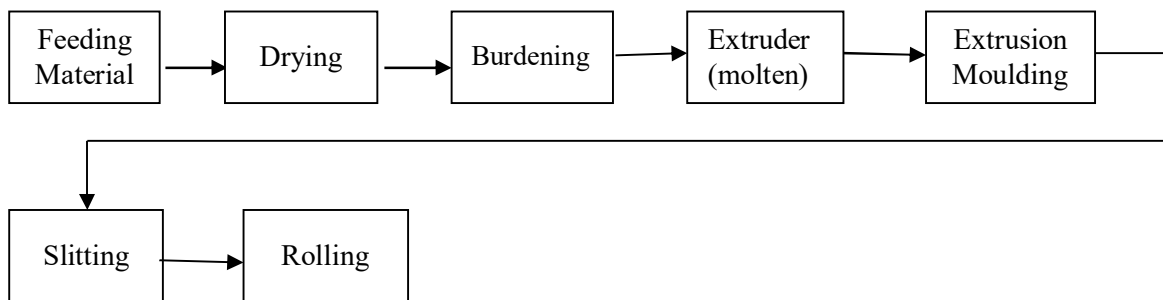
### 5.2.2 Major Applications and Manufacturing Process of Major Products

#### 1. Major Applications of Major Products

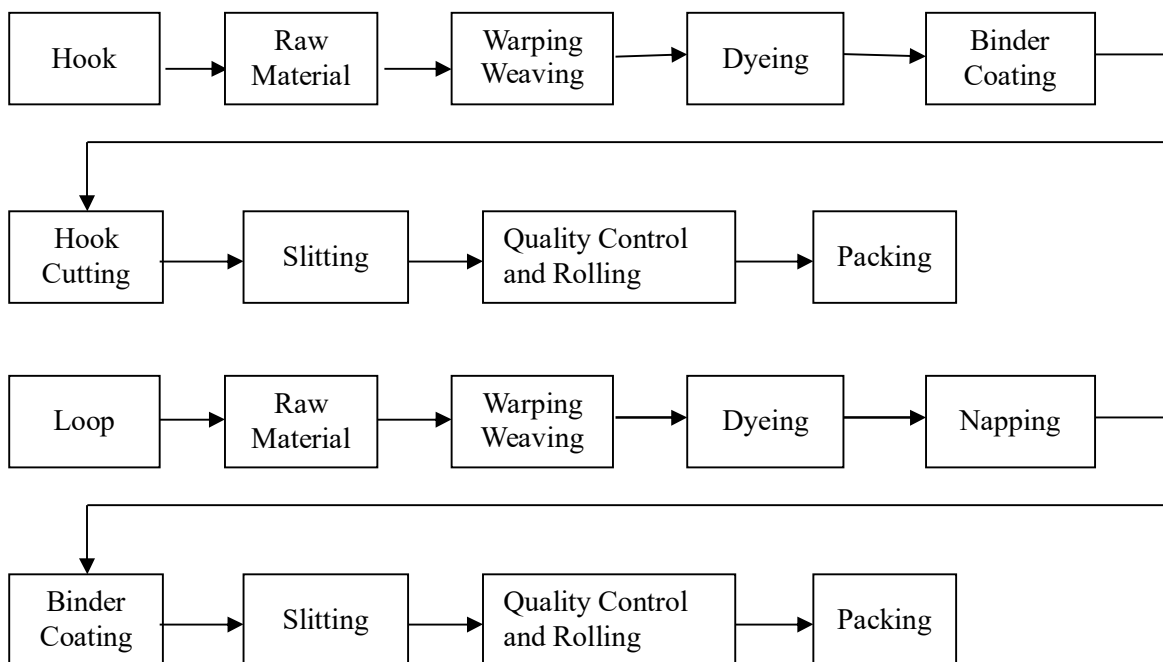
Products	Major Application
Touch Fastener	Accessories of shoes, garments, raincoats, caps, sports equipment, leather goods, and medical equipment.
Webbing (Shoelaces)	Shoe vamp hem, belt eyelet, back straps of leather goods and sports bags, and accessories of hats.
Elastic (Include Multi Directional Textile Elasticity)	Pants straps, jacket hems, cuffs, and accessories of those that require elastics. The multi directional textile with elasticity 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

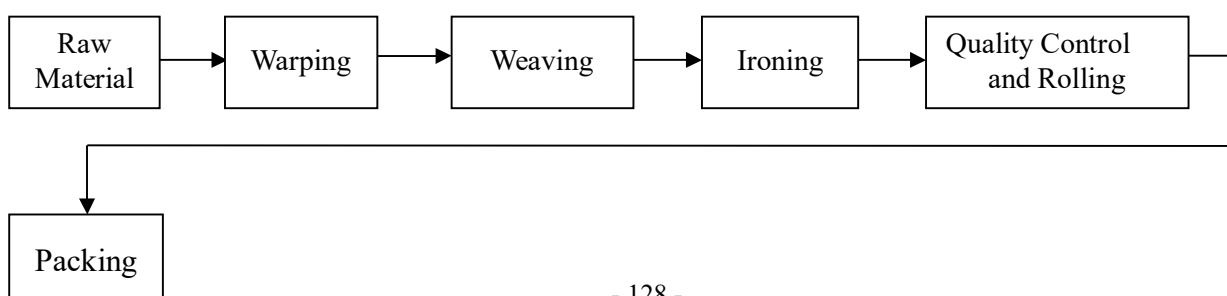
### (1) Manufacturing flowchart of easy tape



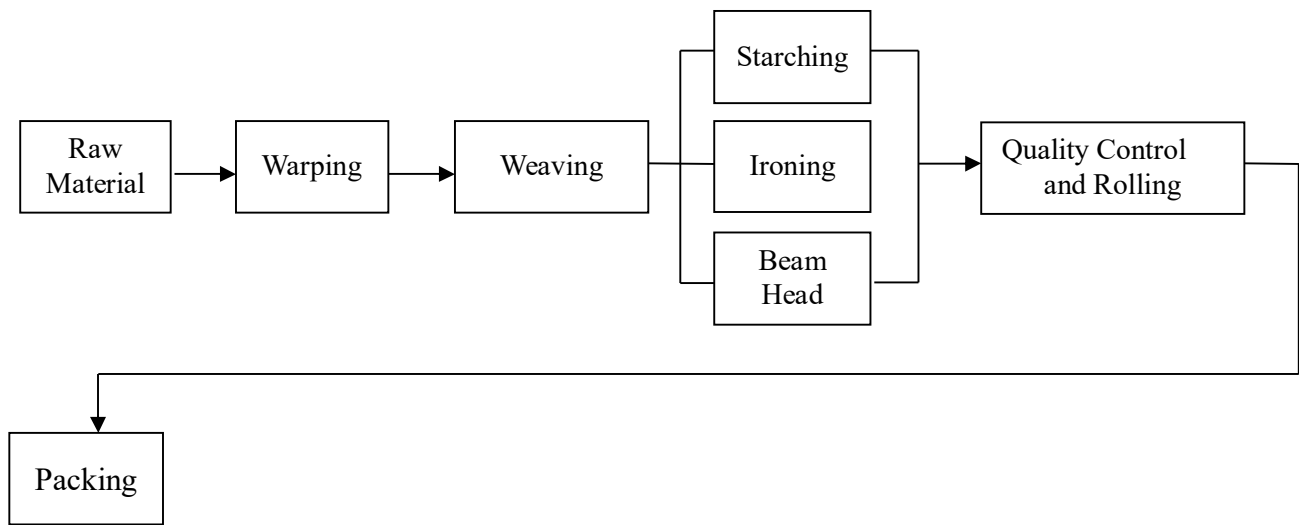
### (2) Manufacturing flowchart of touch fastener



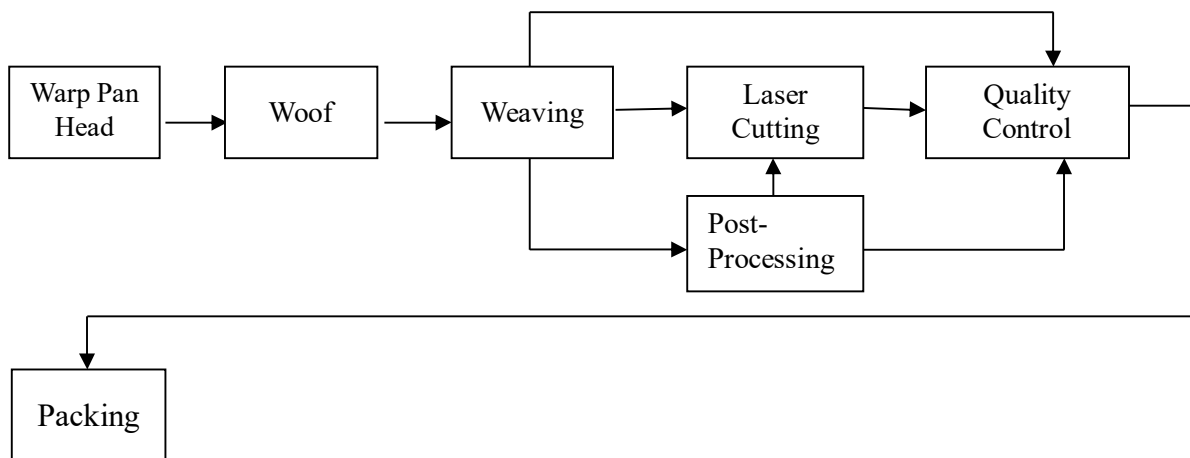
### (3) Manufacturing flowchart of elastic



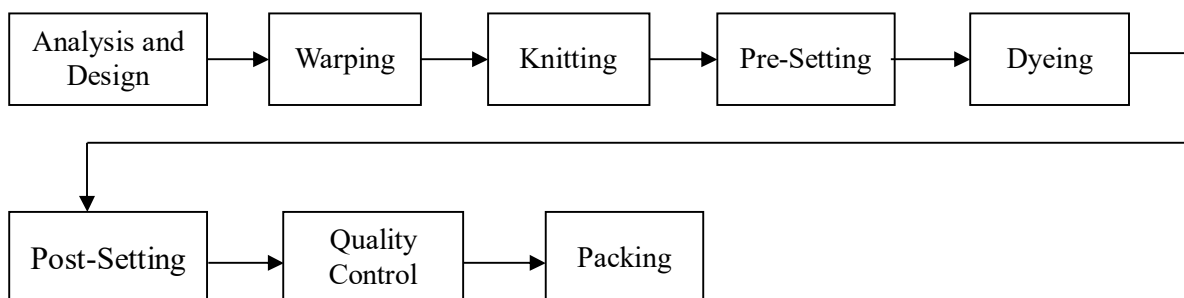
(4) Manufacturing flowchart of webbings (shoelace)



(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, and Tolitex (Guang Zhou).	Stable
Nylon Filament Yarn	Formosa Chemicals, and Zig Sheng.	Stable
Vucanized Rubber Thread	Rubberflex Sdn.Bhd (Malaysia), H.V.Fila Co., Ltd.( Thailand), Dongguan Wai Ho Fat, and	Stable
Polyester Yarn	Jvan An, Jendeh, kwanchi, Xiamen Xianglu, Rongsheng Petro, Su Zhou Yu Nianshui, Shen 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. List of 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. List of 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 Production Value in the Past Two Years

Unit of Value: NT\$ thousands

Product (Note 1)	Year  Unit (Note 2)	2019			2020		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Webbing( Shoelaces)	Thousand Inch Yarns / Meter and Metric Ton	804,054	698,717	\$4,592,845	740,208	595,730	\$3,958,307
Touch Fastener	Thousand Inch Yarns / Pc	848,204	511,440	1,587,562	792,428	389,233	1,289,718
Elastic	Thousand Inch Yarns / Meter	606,841	443,895	1,237,027	604,784	452,199	1,123,875
Easy Tape and Relative Production (Note 3)	Thousand Inch Yarns	439,085	741,146	894,689	461,039	748,062	904,786
Jacquard Engineered Mesh	Metric Ton	13,230	967	587,378	16,459	1,344	732,446
Premises	Number of Household	0	0	0	0	103	1,084,015
Powder Coating	Metric Ton	4,371	4,028	272,997	4,553	3,717	222,165
Mask	Thousand Pc	0	0	0	31,680	8,232	83,121
Other	Note 2	Note 2	Note 2	102,844	Note 2	Note 2	87,772
Total	Note 2	Note 2	Note 2	\$ 9,275,342	Note 2	Note 2	\$ 9,486,206

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.



#### Reasons for the Changes:

The demand from end users decreased due to the pandemic. The production quantity and value of traditional touch fasteners, elastic band, and woven shoelaces have decreased. The production quantity and value of jacquard fabric have increased due to the continuing expansion in Vietnam, Indonesia, and other southeast Asian market. The production quantity and value of masks also increased because of the raising demand under the pandemic. Construction projects were completed and released to the markets in 2020.

### 5.2.6 Consolidated Sales Quantity and Sales Amount in the Past Two Years

Unit of Value: NT\$ thousands

<div> <div>Year</div> <div>Product</div> </div>	Unit (Note 1)	2019				2020			
		Domestic Sales		Export		Domestic Sales		Export	
		Sales Quantity	Sales Amount	Sales Quantity	Sales Amount	Sales Quantity	Sales Amount	Sales Quantity	Sales Amount
Webbing ( Shoelaces)	Thousand Inch Yarns/ Meter	58,241	\$ 860,213	623,917	\$6,671,827	56,739	\$862,930	535,271	\$5,760,004
Touch Fastener	Thousand Inch Yarns / Pc	20,685	134,721	405,103	2,064,605	17,456	122,117	357,114	1,788,271
Elastic	Thousand Inch Yarns / Meter	52,050	213,122	382,274	1,540,714	59,988	207,215	379,599	1,531,775
Easy Tape and Relative Production	Thousand Inch Yarns	82,589	140,106	663,023	1,148,572	119,958	210,785	634,367	1,088,421
Jacquard Engineered Mesh	Metric Ton	0	0	844	559,895	0	0	1,172	611,652
Premises	Number of Household	0	0	97	1,285,404	0	0	103	1,725,962
Parking spaces	Space	0	0	7	15,333	0	0	1	2,039
Powder coating	Metric Ton	0	0	3,995	350,652	0	0	4,155	288,537
Mask	Thousand Pc	0	0	0	4	0	0	4,639	122,246
Other	Note 1	Note 1	163,472	Note 1	151,014	Note 1	180,549	Note 1	142,774
Total	Note 1	Note 1	1,511,634	Note 1	13,788,020	Note 1	1,583,596	Note 1	13,061,681

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.

#### Reasons for the Changes:

The sales of traditional touch fasteners, elastic, and webbing( shoelaces) have decreased in 2020 because of the pandemic. The sales quantity and value of jacquard engineered mesh have increased due to the development of new products and expansion of southeast Asian market. The sales quantity and value of masks also increased because of the raising demand under the pandemic.

### 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		2019	2020	As of April 30, 2021
Number of Employees	Direct Labor	6,826	6,014	6,468
	Indirect Labor	3,010	3,110	3,162
	Total	9,836	9,124	9,630
Average Age		31	31	32
Average Years of Service		5	5	5
Education	Ph.D.	0.0%	0.0%	0.0%
	Master's	0.6%	0.6%	0.6%
	University & College	17.7%	19.0%	18.4%
	High School	50.3%	50.6%	50.5%
	Below High School	31.4%	29.8%	30.5%

### 5.4 Expenditure for Environmental Protection

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

Unit : NT\$

Item \ Year	2020	As of April 30, 2021
Amount of Compensation or Punishment Status	22,750	None
Other Losses	None	None

The Punishment Status are as follows:

DateDisciplinary Date: December 14, 2020.

Disciplinary Doc. No.: Fu-Shou-Huan-Shui-Zi No. 30-109-070033.

Violation of law and regulations: Violation of Paragraph 1 under Article 28 of the Water Pollution Prevention Act.

Violation of provisions: The Environmental Protection Bureau conducted an on-site inspection of the plant on 2020.04.01 and found that the clean water rinsing pipe of the sediment tumbler was broken and leaked.

Disciplinary action: A fine for NT\$22,750.

#### 5.4.2 Possible Cost and Countermeasures at Present and in the Future:

Flood prevention and automatic pump have been installed in the surroundings of the tumbler to prevent leaking caused by machine failure.

### 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. Employee Education 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 2020 are as follows:

Item	Number of Courses	Training Hours	Total Number of Trainees
Orientation Training for New Employees	37	229	40
On-job Training for Current Employees	100	407	1,398
Total	137	636	1,438

### 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 Benefit Protection 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.

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 The Loss (Including Any Violations of the Labor Standards Act Found in Labor Inspection, Specifying the Disciplinary Dates, Disciplinary Doc. No, Violation of Law and Regulations, Violation of Provisions, and Disciplinary Action) Due to Labor-Management Disputes, Current, and Possible Future Loss Estimated Amount and None.

#### 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	Counter party	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	Note1	None
Long-term Bank Loans	Bank of Taiwan	From February 2020 to February 2022	Fiduciary Loan: NT\$200 million	None	None
Long-term Bank Loans	Yuanta Commercial Bank	From December 2020 to December 2023	Fiduciary Loan: NT\$300 million	None	None
Long-term Bank Loans	CTBC Bank	From October 2019 to September 2022	Fiduciary Loan: NT\$100 million	Note2	None
Long-term Bank Loans	KGI Bank	From January 2020 to January 2022	Fiduciary Loan: NT\$200 million	None	None
Long-term Bank Loans	Sumitomo Mitsui Banking Corporation (SMBC)	From October 2020 to October 2022	Fiduciary Loan: US\$15 million	None	None
Long-term Bank Loans	Mizuho Bank Taipei Branch	From April 2020 to April 2022	Fiduciary Loan: US\$10 million	None	None
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	Note3	None
Long-term Bank Loans	Yuanta Commercial Bank	From February 2020 to February 2022	Fiduciary Loan: US\$5 million	None	None



Agreement Type	Counter party	Term	Summary	Restrictive Clauses	Note
Long-term Bank Loans	Yuanta Commercial Bank	From December 2020 to December 2022	Fiduciary Loan: US\$6 million	None	None
Long-term Bank Loans	CTBC Bank	From November 2018 to January 2022	Fiduciary Loan: US\$6 million	None	None
Long-term Bank Loans	Bank of East Asia	From April 2019 to February 2022	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	The Shanghai Commercial & Savings Bank, Ltd.	From October 2020 to October 2023	Fiduciary Loan: US\$6 million	None	None
Long-term Bank Loans	Far Eastern Int'l Bank	From December 2020 to December 2022	Fiduciary Loan: US\$5 million	None	None
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

Agreement Type	Counter party	Term	Summary	Restrictive Clauses	Note
Technology Development Contract	Guangdong Wuyi University	From April 2020 to March 2021	Assist in the development of elastic technology and technical support; also, the related technical achievements and patents are owned by the Company.	None	None
Technology Development Contract	Shanghai Donghua University	From November 2019 to October 2020	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
Technology Development Contract	Wuxi Jiangnan University	From September 2020 to September 2021	Assist in the development of touch fastener technology and technical support; also, the related technical achievements and patents are owned by the Company.	None	None
Technology Development Contract	Xi'an Polytechnic University	From March 2020 to December 2023	Assist the rapid intelligence design and virtual reality system of products with the equal sharing of the findings of the technological know-how. The Company is the proprietor of the software technology patents.	None	None

Agreement Type	Counter party	Term	Summary	Restrictive Clauses	Note
Construction New Factory-Office Building	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
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	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 Construction Group Co., Ltd.	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	Dongguan Fuhua Construction Engineering Co.,Ltd.	Effective upon the signature of both parties affixed on January 2, 2020.	Construction of Yisha Management Zone, Shatian Town, Dongguan City.	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 assets (total equity minus intangible assets) not less than \$5 billion (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 Paiho Shih Holdings Company during the loan period shall comply with the requirements of maintaining the current ratio  $[\text{current assets} \div \text{current liabilities minus advance real estate receipts (classified as contract liabilities - current)}]$  of the annual Consolidated Financial Statements at not less than 100%, the debt ratio  $[(\text{total liabilities minus advance real estate receipts (classified as contract liabilities - current)}) \div \text{tangible net worth}]$  not higher than 180%, interest coverage ratio not less than 3 times, and the net tangible assets  $[\text{total equity minus intangible assets}]$  not less than \$3.5 billion (inclusive).

## VI. Financial Information

### 6.1 Financial 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)				
		2016	2017	2018	2019	2020
Current Assets		\$8,581,287	\$9,789,763	\$12,900,831	\$11,933,416	\$16,535,950
Property, Plant and Equipment		6,207,230	7,958,247	9,830,771	12,761,335	12,607,349
Intangible Assets		270,649	242,806	237,748	220,887	207,055
Other Assets		1,688,926	3,460,505	3,664,363	2,711,667	2,392,033
Total Assets		16,748,092	21,451,321	26,633,713	27,627,305	31,742,387
Current Liabilities	Before Distribution	4,886,388	6,383,190	9,778,701	10,051,534	11,747,069
	After Distribution	5,780,280	7,277,082	10,553,407	10,945,426	12,640,961
Non-Current Liabilities		1,934,216	4,453,729	5,754,736	5,908,680	7,541,330
Total Liabilities	Before Distribution	6,820,604	10,836,919	15,533,437	15,960,214	19,288,399
	After Distribution	7,714,496	11,730,811	16,308,143	16,854,106	20,182,291
Equity Attributable to Owners of the Corporation		7,826,445	8,308,508	8,776,955	9,296,693	9,809,085
Capital Stock		2,979,639	2,979,639	2,979,639	2,979,639	2,979,639
Capital Surplus		727,745	727,745	727,880	727,890	727,926
Retained Earnings	Before Distribution	4,112,000	4,833,155	5,300,166	6,037,507	6,673,718
	After Distribution	3,218,108	3,939,263	4,525,460	5,143,615	5,779,826
Others		7,061	( 232,031)	( 230,730)	( 448,343)	( 572,198)
Treasury Stock		0	0	0	0	0
Non-Controlling Interests		2,101,043	2,305,894	2,323,321	2,370,398	2,644,903
Total Equity	Before Distribution	9,927,488	10,614,402	11,100,276	11,667,091	12,453,988
	After Distribution	9,033,596	9,720,510	10,325,570	10,773,199	11,560,096

Note 1: The aforementioned financial information was audited and attested by CPAs.

# 6.1.2 Condensed Balance Sheet - Parent Company

Unit: NT\$ thousands

Year Item		Financial Summary in the Past Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		\$1,346,081	\$1,217,167	\$1,322,688	\$1,475,703	\$1,733,497
Property, Plant and Equipment		2,357,425	2,489,848	2,326,265	2,575,216	2,519,292
Intangible Assets		0	0	0	0	189
Other Assets		7,269,908	7,612,446	8,433,221	9,022,295	9,754,060
Total Assets		10,973,414	11,319,461	12,082,174	13,073,214	14,007,038
Current Liabilities	Before Distribution	1,688,075	796,532	1,081,498	1,680,532	1,961,303
	After Distribution	2,581,967	1,690,424	1,856,204	2,574,424	2,855,195
Non-Current Liabilities		1,458,894	2,214,421	2,223,721	2,095,989	2,236,650
Total Liabilities	Before Distribution	3,146,969	3,010,953	3,305,219	3,776,521	4,197,953
	After Distribution	4,040,861	3,904,845	4,079,925	4,670,413	5,091,845
Capital Stock		2,979,639	2,979,639	2,979,639	2,979,639	2,979,639
Capital Surplus		727,745	727,745	727,880	727,890	727,926
Retained Earnings	Before Distribution	4,112,000	4,833,155	5,300,166	6,037,507	6,673,718
	After Distribution	3,218,108	3,939,263	4,525,460	5,143,615	5,779,826
Others		7,061	( 232,031)	( 230,730)	( 448,343)	( 572,198)
Treasury Stock		0	0	0	0	0
Total equity	Before Distribution	7,826,445	8,308,508	8,776,955	9,296,693	9,809,085
	After Distribution	6,932,553	7,414,616	8,002,249	8,402,801	8,915,193

Note 1: The aforementioned financial information was audited and attested by CPAs.

### 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)				
	2016	2017	2018	2019	2020
Net Sales	\$10,629,533	\$11,747,956	\$13,716,050	\$15,299,654	\$14,645,277
Gross Profit	4,178,798	4,704,951	4,983,842	5,467,887	5,375,925
Income from Operations	2,318,635	2,674,345	2,370,607	2,758,589	2,809,032
Non-Operating Income and Expenses	36,854	( 82,767)	( 158,087)	( 222,160)	( 125,450)
Profit before Income Tax	2,355,489	2,591,578	2,212,520	2,536,429	2,683,582
Income from Operations of Continued Segments - after Tax	1,722,845	1,832,678	1,514,342	1,696,040	1,800,435
Income from Discontinued Departments	0	0	0	0	0
Net Profit	1,722,845	1,832,678	1,514,342	1,696,040	1,800,435
Other Comprehensive Income (Loss)	( 547,625)	( 228,093)	( 96,162)	( 326,253)	( 28,125)
Total Comprehensive Income (Loss)	1,175,220	1,604,585	1,418,180	1,369,787	1,772,310
Net Profit Attribute to Owners of the Corporation	1,490,366	1,619,782	1,360,306	1,522,184	1,551,805
Net Profit Attribute to Non-Controlling Interests	232,479	212,896	154,036	173,856	248,630
Total Comprehensive Income (Loss) Attribute to Owners of the Corporation	1,143,904	1,375,955	1,362,204	1,294,434	1,406,248
Total Comprehensive Income Attribute to Noncontrolling Interests	31,316	228,630	55,976	75,353	366,062
Earnings Per Share	5.00	5.44	4.57	5.11	5.21

Note 1: The aforementioned financial information was audited and attested 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)				
	2016	2017	2018	2019	2020
Net Sales	\$3,954,221	\$4,329,433	\$3,822,629	\$4,090,277	\$3,771,343
Gross Profit	1,439,461	1,538,653	1,179,459	1,211,761	1,136,149
Income from Operations	966,257	1,006,463	663,741	632,877	618,790
Non-Operating Income and Expenses	885,954	1,005,635	1,010,520	1,204,879	1,231,263
Profit before Income Tax	1,852,211	2,012,098	1,674,261	1,837,756	1,850,053
Income from Operations of Continued Segments - after Tax	1,490,366	1,619,782	1,360,306	1,522,184	1,551,805
Income from Discontinued Departments	0	0	0	0	0
Net Profit	1,490,366	1,619,782	1,360,306	1,522,184	1,551,805
Other Comprehensive Income (Loss)	( 346,462)	( 243,827)	1,898	( 227,750)	( 145,557)
Total Comprehensive Income (Loss)	1,143,904	1,375,955	1,362,204	1,294,434	1,406,248
Earnings Per Share	5.00	5.44	4.57	5.11	5.21

Note 1: The aforementioned financial information was audited and attested by CPAs.

#### 6.1.5 CPAs' Opinions in the Past Five Years

Year	Accounting Firm	CPA Name	Audit Opinion
2016	Deloitte & Touche	Shu-Chin Chiang 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
2019	Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su (Note 1)	Unmodified Opinion
2020	Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	Unmodified Opinion

Note 1: The replacement of the CPA in 2019 was arranged due to the internal work scheduling and arrangement of Deloitte & Touche.



## 6.2 Financial Analysis in the Past Five Years

### 6.2.1 Consolidated Financial Analysis

<div> <div></div> <div>Year</div> </div> <div>Item (Note 2)</div>		Financial Summary in the Past Five Years (Note 1)				
		2016	2017	2018	2019	2020
Capital Structure	Debt Ratio (%)	40.7	50.5	58.3	57.8	60.8
	Long-Term Funds to Property, Plant and Equipment Ratio (%)	191.1	189.3	171.5	137.7	158.6
Liquidity	Current Ratio (%)	175.6	153.4	131.9	118.7	140.8
	Quick Ratio (%)	111.5	87.2	77.3	67.8	94.1
	Times Interest Earned (Times)	40.9	27.2	13.0	10.2	14.9
Operating Performance	Average Collection Turnover (Times)	5.4	5.3	5.8	6.0	5.4
	Days Sales Outstanding	68	69	63	61	68
	Average Inventory Turnover (Times)	1.9	1.8	1.7	1.8	1.6
	Average Manufactures' Inventory Turnover (Times)	3.2	3.3	3.2	3.3	2.9
	Average Payment Turnover (Times)	17.2	16.1	11.3	11.5	13.9
	Average inventory turnover Day ( Including Construction)	191	206	214	209	227
	Average inventory turnover Day (Excluding Construction)	116	112	116	110	126
	Property, Plant and Equipment Turnover (Times)	1.9	1.7	1.5	1.4	1.2
	Total Assets Turnover (Times)	0.6	0.6	0.5	0.6	0.5
Profitability	Return on Total Assets (%)	10.9	10.0	6.9	7.1	6.6
	Return on Equity attributable to Owners of the Corporation (%)	17.9	17.8	13.9	14.9	14.9
	Profit before Income Tax to Paid-in Capital (%)	79.1	87.0	74.3	85.1	94.3
	Net Profit Margin (%)	16.2	15.6	11.0	11.1	12.3
	Earnings Per Share (NT\$)	5.00	5.44	4.57	5.11	5.21
Cash Flow	Cash Flow Ratio (%)	44.5	18.1	27.4	17.6	44.8
	Cash Flow Adequacy Ratio (%)	95.2	59.0	57.4	49.2	63.8
	Cash Flow Reinvestment Ratio (%)	10.3	1.4	8.3	4.4	16.8
Leverage	Operating Leverage	2.3	2.3	2.7	2.7	2.8
	Financial Leverage	1.0	1.0	1.1	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 quick ratio in 2020 is higher than the ratio in 2019 mainly due to the increase of the profit and advance payment from construction projects in 2020, to the extent that the current assets increased from the level in 2019.
2. The times interest earned in 2020 was higher than the ratio in 2019 mainly due to profit growth and downward adjustment of interest rate for bank loans, to the extent that interest expense was down, and times interest earned was up as compared with 2019.
3. The average payment turnover in 2020 was higher than the rate in 2019 mainly due to the payable for construction being due at the end of the 2018 as the project was finished, to the extent that the overall amount of payables was lower at the end of 2019 and 2020.
4. The cash flow ratio, cash adequacy ratio, and cash flow reinvestment ratio in 2020 were higher than the ratios in 2019 mainly due to profit growth, and the increase of advance payment for construction lands in 2020, to the extent that net cash inflow from operation in 2020 was higher than in 2019.

Note 1: The aforementioned financial information was audited and attested 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 = (Total Equity + NonCurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets-Inventories-Prepaid Expense) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expense

3. Operating Performance

(1) Average Collection Turnover (Including Trade Receivables and Notes Receivable Resulted from Business Operation) = Net Sales / Average Accounts Receivable (Including Trade 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 Trade Payables and Notes Payable Resulted from Business Operation) = Cost of Goods Sold / Average Accounts Payables (Including Trade Payables and Notes Payable Resulted from Business Operation)

(5) Average Inventory Turnover Days = 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 Profit 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 Property, Plant and Equipment + Long-term Investments + Other Noncurrent 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

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Summary in the Past Five Years (Note 1)				
		2016	2017	2018	2019	2020
Capital Structure	Debt Ratio (%)	28.7	26.6	27.4	28.9	30.0
	Long-Term Funds to Property, Plant and Equipment Ratio (%)	393.9	422.6	472.9	442.4	478.1
Liquidity	Current Ratio (%)	79.7	152.8	122.3	87.8	88.4
	Quick Ratio (%)	57.2	103.2	83.2	64.7	68.5
	Times Interest Earned (Times)	108.6	134.2	81.2	82.1	92.8
Operating Performance	Average Collection Turnover (Times)	6.9	6.5	5.9	6.5	5.4
	Days Sales Outstanding	53	56	62	56	68
	Average Inventory Turnover (Times)	5.1	5.4	5.0	5.5	5.0
	Average Manufactures' Inventory Turnover (Times)	5.4	5.5	5.0	5.5	5.0
	Average Payment Turnover (Times)	11.9	12.2	11.9	12.3	11.0
	Average inventory turnover Day ( Including Construction)	72	67	73	67	73
	Average inventory turnover Day(Excluding Construction)	68	67	73	67	73
	Property, Plant and Equipment Turnover (Times)	1.7	1.7	1.6	1.6	1.5
	Total Assets Turnover (Times)	0.4	0.4	0.3	0.3	0.3
Profitability	Return on Total Assets (%)	14.0	14.6	11.8	12.2	11.6
	Return on Equity (%)	19.7	20.1	15.9	16.8	16.2
	Profit before Income Tax to Paid-in Capital (%)	62.2	67.5	56.2	61.7	62.1
	Net Profit Margin (%)	37.7	37.4	35.6	37.2	41.2
	Earnings Per Share (NT\$)	5.00	5.44	4.57	5.11	5.21
Cash Flow	Cash Flow Ratio (%)	75.6	184.2	64.8	80.9	53.9
	Cash Flow Adequacy Ratio (%)	99.4	103.5	98.3	94.0	99.8
	Cash Flow Reinvestment Ratio (%)	7.0	5.1	(1.6)	4.7	1.3
Leverage	Operating Leverage	1.9	2.0	2.5	2.7	2.7
	Financial Leverage	1.0	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 average collection period in 2020 was longer than in 2019 mainly due to the influence of COVID-19 that the overall demand in market fell, to the extent that net sale fell from the level of the same period in 2019. In addition, customers tended to defer their payment such that the average balance for collection increased.
2. Cash flow ratio and cash reinvestment ratio in 2020 fell from the level in 2019, mainly due to the influence of COVID-19 where customers tended to defer payment, to the extent that the account and note receivables increased. It was echoed with the decrease in dividend from overseas subsidiaries such that the cash inflow from operation fell from the level in the same period of 2019.

Note 1: The aforementioned financial information was audited and attested 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 2020 Business Report, Financial Statements and proposals of earnings distribution. The independent auditors Shu-Chin Chiang and Ting-Chien Su 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,

2021 Annual General Shareholders' Meeting

TAIWAN PAIHO LIMITED

Jui-Lin Lo

Chairman of Audit Committee

March 24, 2021

## 6.4 Consolidated Financial Statements and CPAs' Report in the Recent Year

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
TAIWAN PAIHO LIMITED

#### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 Consolidate Financial Statements section of our report. We are independent for the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

Key audit matters of the Groups' consolidated financial statements for the year ended December 31, 2020 are as follows:

## Recognition of sales revenue

The main business items of the Company include the manufacturing and sale of touch fastener, webbing, shoelace, elastic, easy tape, and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors. Among all the goods, the revenue from the sale of webbing and touch fastener significantly influence the operating revenue and profit of the Group. Therefore, we consider the above mentioned sales revenue as a key audit matter. Refer to Note 4 to the consolidated financial statements for the relevant and additional information.

Our key audit procedures performed in respect of the above mentioned items included the following:

1. We understood the design and operating effectiveness of controls and procedures for identifying sales revenue, and then we sampled and verified the accuracy of approved original orders.
2. We chose samples from the list of main products sales revenue and checked their original order, shipment, invoice, and collection of payments, inspecting the recognition of the revenue and the collection of receivables.

## **Other Matter**

We have also audited the financial statements of Taiwan Paiho Limited as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement



when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2021

#### Notice to Readers

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 AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

Code	ASSETS	2020		2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 5,988,581	19	\$ 3,282,789	12
1110	Fair value through profit or loss financial assets - current (Notes 4 and 7)	644,182	2	-	-
1136	Financial assets at amortized cost- current (Note 4 and 9)	711,689	2	134,012	1
1150	Notes receivable (Notes 4 and 10)	178,958	1	85,987	-
1170	Trade receivables (Notes 4, 10 and 29)	2,480,638	8	2,445,920	9
1200	Other receivables (Note 4)	479,042	1	306,997	1
1310	Inventories - manufacturing (Notes 4 and 11)	2,243,394	7	2,317,349	8
1320	Inventories - constructing (Notes 4 and 11)	3,134,576	10	2,718,679	10
1470	Other current assets (Note 17 and 25)	674,890	2	641,683	2
11XX	Total current assets	<u>16,535,950</u>	<u>52</u>	<u>11,933,416</u>	<u>43</u>
	<b>NON-CURRENT ASSETS</b>				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	30,395	-
1535	Financial assets at amortized cost - non-current (Notes 4, 9 and 30)	29,143	-	29,864	-
1600	Property, plant and equipment (Notes 4, 13, 29 and 30)	12,607,349	40	12,761,335	46
1755	Right-of-use assets (Notes 4 and 14)	1,552,252	5	1,685,815	6
1760	Investment properties (Notes 4 and 15)	149,695	-	153,353	1
1805	Goodwill (Notes 4 and 16)	204,735	1	220,774	1
1821	Other intangible assets (Note 4)	2,320	-	113	-
1840	Deferred tax assets (Notes 4 and 25)	285,592	1	189,019	1
1915	Prepayments for machinery and equipment	325,751	1	578,659	2
1995	Other non-current assets (Note 17)	49,600	-	44,562	-
15XX	Total non-current assets	<u>15,206,437</u>	<u>48</u>	<u>15,693,889</u>	<u>57</u>
1XXX	TOTAL	<u>\$ 31,742,387</u>	<u>100</u>	<u>\$ 27,627,305</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2102	Short-term borrowings (Note 18)	\$ 3,981,840	13	\$ 5,291,690	19
2130	Contract liabilities - current (Notes 4, 23, 29 and 31)	3,238,327	10	58,235	-
2150	Notes payable	61,201	-	50,641	-
2170	Trade payables	626,412	2	600,654	2
2200	Other payables (Notes 19 and 24)	1,575,598	5	1,788,120	7
2230	Current tax liabilities (Notes 4 and 25)	955,320	3	709,209	3
2280	Lease liabilities - current (Notes 4, 14 and 29)	27,514	-	37,432	-
2320	Current portion of long-term borrowings (Notes 18 and 30)	1,182,322	4	1,398,881	5
2399	Other current liabilities (Note 4)	98,535	-	116,672	-
21XX	Total current liabilities	<u>11,747,069</u>	<u>37</u>	<u>10,051,534</u>	<u>36</u>
	<b>NON-CURRENT LIABILITIES</b>				
2540	Long-term borrowings (Notes 18 and 30)	5,853,557	19	4,343,407	16
2570	Deferred tax liabilities (Notes 4 and 25)	1,186,370	4	1,068,750	4
2580	Lease liabilities - non-current (Notes 4, 14 and 29)	113,528	-	136,087	1
2630	Deferred revenue - non-current (Notes 4 and 14)	87,849	-	89,021	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 20)	282,943	1	257,265	1
2645	Guarantee deposits received	17,083	-	14,150	-
25XX	Total non-current liabilities	<u>7,541,330</u>	<u>24</u>	<u>5,908,680</u>	<u>22</u>
2XXX	Total liabilities	<u>19,288,399</u>	<u>61</u>	<u>15,960,214</u>	<u>58</u>
	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>				
3110	Common stock	2,979,639	10	2,979,639	11
3200	Capital surplus	727,926	2	727,890	3
	Retained earnings				
3310	Legal reserve	1,487,627	5	1,335,409	5
3320	Special reserve	448,343	1	230,730	1
3350	Unappropriated earnings	4,737,748	15	4,471,368	16
3400	Other equity	( 572,198 )	( 2 )	( 448,343 )	( 2 )
31XX	Total equity attributable to owners of the Corporation	<u>9,809,085</u>	<u>31</u>	<u>9,296,693</u>	<u>34</u>
36XX	NON-CONTROLLING INTERESTS	<u>2,644,903</u>	<u>8</u>	<u>2,370,398</u>	<u>8</u>
3XXX	Total equity	<u>12,453,988</u>	<u>39</u>	<u>11,667,091</u>	<u>42</u>
	<b>TOTAL</b>	<u>\$ 31,742,387</u>	<u>100</u>	<u>\$ 27,627,305</u>	<u>100</u>

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

President: Sen-Mei Cheng

General Manager: Cheng-We Cheng

Accounting Supervisor: Yao-Da Huang

# TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2020		2019	
		Amount	%	Amount	%
4000	SALES (Notes 4, 23 and 29)	\$ 14,645,277	100	\$ 15,299,654	100
5000	COST OF GOODS SOLD (Notes 4, 11, 23 and 24)	<u>9,269,352</u>	<u>63</u>	<u>9,831,767</u>	<u>64</u>
5950	GROSS PROFIT	<u>5,375,925</u>	<u>37</u>	<u>5,467,887</u>	<u>36</u>
	OPERATING EXPENSES (Notes 24 and 29)				
6100	Selling and marketing expenses	1,272,576	9	1,313,712	9
6200	General and administrative expenses	725,833	5	769,375	5
6300	Research and development expenses	554,562	4	612,903	4
6450	Expected credit loss (Note 10)	<u>13,922</u>	<u>-</u>	<u>13,308</u>	<u>-</u>
6000	Total operating expenses	<u>2,566,893</u>	<u>18</u>	<u>2,709,298</u>	<u>18</u>
6900	PROFIT FROM OPERATIONS	<u>2,809,032</u>	<u>19</u>	<u>2,758,589</u>	<u>18</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Subsidy revenue (Notes 4, 14 and 32)	51,525	-	19,203	-
7100	Interest income (Note 4)	80,151	1	71,214	1
7190	Other income (Note 4)	56,319	-	40,033	-
7510	Interest expense (Notes 4, 24 and 29)	( 192,588)	( 1)	( 275,862)	( 2)
7590	Other expenses (Notes 4 and 24)	( 37,917)	-	( 51,265)	-
7630	Net foreign exchange loss (Notes 4 and 24)	( 82,940)	( 1)	( 25,483)	-
7000	Total non-operating income and expenses	( 125,450)	( 1)	( 222,160)	( 1)

(Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 2,683,582	18	\$ 2,536,429	17
7950	INCOME TAX EXPENSE (Notes 4 and 25)	<u>883,147</u>	<u>6</u>	<u>840,389</u>	<u>6</u>
8200	NET PROFIT FOR THE YEAR	<u>1,800,435</u>	<u>12</u>	<u>1,696,040</u>	<u>11</u>
	OTHER COMPREHENSIVE INCOME (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 20)	( 32,701 )	-	( 14,378 )	-
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	( 29,958 )	-	( 507 )	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	<u>3,401</u>	<u>-</u>	<u>1,914</u>	<u>-</u>
		<u>( 59,258 )</u>	<u>-</u>	<u>( 12,971 )</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	7,658	-	( 367,558 )	( 2 )
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 25)	<u>23,475</u>	<u>-</u>	<u>54,276</u>	<u>-</u>
		<u>31,133</u>	<u>-</u>	<u>( 313,282 )</u>	<u>( 2 )</u>
8300	Other comprehensive loss for the year, net of income tax	<u>( 28,125 )</u>	<u>-</u>	<u>( 326,253 )</u>	<u>( 2 )</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,772,310</u>	<u>12</u>	<u>\$ 1,369,787</u>	<u>9</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the Corporation	\$ 1,551,805	10	\$ 1,522,184	10
8620	Non-controlling interests	<u>248,630</u>	<u>2</u>	<u>173,856</u>	<u>1</u>
8600		<u>\$ 1,800,435</u>	<u>12</u>	<u>\$ 1,696,040</u>	<u>11</u>

(Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Corporation	\$ 1,406,248	10	\$ 1,294,434	8
8720	Non-controlling interests	<u>366,062</u>	<u>2</u>	<u>75,353</u>	<u>1</u>
8700		<u>\$ 1,772,310</u>	<u>12</u>	<u>\$ 1,369,787</u>	<u>9</u>
	EARNINGS PER SHARE (Note 26)				
9750	Basic	<u>\$ 5.21</u>		<u>\$ 5.11</u>	
9850	Diluted	<u>\$ 5.20</u>		<u>\$ 5.10</u>	

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

President: Sen-Mei Cheng

General Manager: Cheng-We  
Cheng

Accounting Supervisor: Yao-Da  
Huang

# TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Corporation (Note 4)											
		Capital Surplus (Note 22)				Retained Earnings (Note 22)			Other Equity (Note 8 and 22)				
Code		Common Stock (Note 22)	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	Unappropriate d 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
A1	BALANCE AT JANUARY 1, 2019	\$ 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
C3	Donation from shareholders	-	-	-	10	-	-	-	-	-	10	-	10
	Appropriation of 2018 earnings												
B1	Legal reserve	-	-	-	-	136,031	-	( 136,031 )	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 774,706 )	-	-	( 774,706 )	-	( 774,706 )
B17	Special reserve reversed	-	-	-	-	-	( 1,301 )	1,301	-	-	-	-	-
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	( 28,276 )	( 28,276 )
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,522,184	-	-	1,522,184	173,856	1,696,040
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	( 10,137 )	( 217,106 )	( 507 )	( 227,750 )	( 98,503 )	( 326,253 )
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,512,047	( 217,106 )	( 507 )	1,294,434	75,353	1,369,787
Z1	BALANCE AT DECEMBER 31, 2019	2,979,639	615,831	111,914	145	1,335,409	230,730	4,471,368	( 448,626 )	283	9,296,693	2,370,398	11,667,091
C3	Donation from shareholders	-	-	-	36	-	-	-	-	-	36	-	36
	Appropriation of 2019 earnings												
B1	Legal reserve	-	-	-	-	152,218	-	( 152,218 )	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	217,613	( 217,613 )	-	-	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 893,892 )	-	-	( 893,892 )	-	( 893,892 )
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	( 91,557 )	( 91,557 )
D1	Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,551,805	-	-	1,551,805	248,630	1,800,435
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	( 21,702 )	( 93,897 )	( 29,958 )	( 145,557 )	117,432	( 28,125 )
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,530,103	( 93,897 )	( 29,958 )	1,406,248	366,062	1,772,310
Z1	BALANCE AT DECEMBER 31, 2020	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	( \$ 542,523 )	( \$ 29,675 )	\$ 9,809,085	\$ 2,644,903	\$12,453,988

The accompanying notes are an integral part of the consolidated financial statements.  
General Manager: Cheng-We Cheng

President: Sen-Mei Cheng

Accounting Supervisor: Yao-Da Huang

**TAIWAN PAIHO LIMITED AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

(In Thousands of New Taiwan Dollars)

<b>Code</b>		<b>2020</b>	<b>2019</b>
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A10000	Income before income tax	\$2,683,582	\$2,536,429
A20010	Adjustments for:		
A20100	Depreciation expenses	1,263,771	1,083,285
A20200	Amortization expenses	253	21
A20300	Expected credit loss recognized	13,922	13,308
A20900	Interest expense	192,588	275,862
A21200	Interest income	( 80,151)	( 71,214)
A22500	Loss (gain) on disposal of property, plant and equipment	( 1,990)	9,898
A23700	Write-downs of inventories	169,634	149,018
A24100	Unrealized foreign currency exchange loss, net	7,488	11,624
A29900	Others	( 2,288)	( 2,735)
A30000	Changes in operating assets and liabilities		
A31115	Mandatory fair value through profit or loss financial assets	( 611,208)	-
A31130	Notes receivable	( 94,416)	52,063
A31150	Trade receivables	( 162,543)	( 348,997)
A31180	Other receivables	( 203,206)	77,526
A31200	Inventories - manufacturing	( 189,647)	( 357,885)
A31200	Inventories - constructing	( 559,608)	387,027
A31240	Other current assets	( 58,493)	( 82,855)
A32125	Contract liabilities	3,299,171	( 922,837)
A32130	Notes payable	10,560	( 40,918)
A32150	Trade payables	57,416	( 355,264)
A32180	Other payables	166,412	122,009
A32230	Other current liabilities	30,920	61,812
A32240	Net defined benefit liabilities	( 7,543)	1,470
A33000	Cash generated from operations	5,924,624	2,598,647
A33100	Interest received	80,151	71,214
A33300	Interest paid	( 203,383)	( 275,048)
A33500	Income tax paid	( 544,733)	( 621,256)
AAAA	Net cash generated from operating activities	<u>5,256,659</u>	<u>1,773,557</u>

(Continued)



(Continued)

Code		2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00040	Purchase of financial assets at amortized cost	( \$ 3,435,522 )	( \$ 701,553 )
B00050	Proceeds from disposal of financial assets at amortized cost	2,873,613	832,505
B02700	Payments for property, plant and equipment	( 937,512 )	( 1,808,543 )
B02800	Proceeds from disposal of property, plant and equipment	29,506	32,936
B03700	Decrease (Increase) in refundable deposits	1,023	( 3,711 )
B04500	Acquisition of Intangible Assets	( 488 )	-
B05350	Payments for right-of-use assets	( 236,570 )	( 196,160 )
B06700	Decrease (increase) in other non-current assets	874	( 957 )
B07100	Increase in prepayments for machinery and equipment	( <u>331,879</u> )	( <u>950,636</u> )
BBBB	Net cash used in investing activities	( <u>2,036,955</u> )	( <u>2,796,119</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C00100	Proceeds from (repayments of) short-term borrowings	( 1,109,604 )	273,674
C01600	Proceeds from long-term borrowings	4,438,424	2,287,159
C01700	Repayments of long-term borrowings	( 2,877,443 )	( 1,286,721 )
C03000	Proceeds from guarantee deposits received	3,564	11,354
C04020	Repayment of the principal portion of lease liabilities	( 36,001 )	( 41,834 )
C04500	Dividends paid to owners of the Corporation	( 893,892 )	( 774,706 )
C05800	Dividends paid to non-controlling interests	( 91,557 )	( 28,276 )
C09900	Overdue dividends	<u>36</u>	<u>10</u>
CCCC	Net cash generated from (used in) financial activities	( <u>566,473</u> )	<u>440,660</u>
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>52,561</u>	( <u>152,781</u> )
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,705,792	( 734,683 )
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,282,789</u>	<u>4,017,472</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,988,581</u>	<u>\$ 3,282,789</u>

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

President: Sen-Mei Cheng

General Manager: Cheng-We Cheng

Accounting Supervisor: Yao-Da Huang

# TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

TAIWAN PAIHO LIMITED (the “Corporation”) was incorporated in January 1985. It manufactures and sells touch fastener, webbing, shoelace, elastic, and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors.

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 24, 2021.

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

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

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 did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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**

##### **(1) 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.

##### **(2) 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.

##### **(3) Classification of current and non-current assets and liabilities**

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, 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 is engaged 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.

#### (4) 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 12, Tables 9 and 10 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

#### (5) Foreign currencies

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

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

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 the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and other entities in the Group (including subsidiaries or associates in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the United States dollars, 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 Company and non-controlling interests as appropriate. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group into the presentation currency, are not subsequently reclassified to profit or loss.

## (6) 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 right 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.

## (7) Property, plant, and equipment

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

Property, plant and equipment in the course of construction are measured 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 their intended use.

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

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

## (8) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include right-of-use assets if the definition of investment properties is met.

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.

Investment properties acquired through leases were initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

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.

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

## (9) 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.

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

#### (11) 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.

#### (12) Impairment of property, plant, and equipment, right-of-use asset and intangible assets other than goodwill

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

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.

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

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



### (13) 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.

#### Financial assets

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

#### 1) Measurement categories

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

##### i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively. Fair value is determined in the manner described in Note 28: Financial Instruments.

##### ii. Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred: Significant financial difficulty of the issuer or the borrower; Breach of contract, such as a default; It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or The disappearance of an active market for that financial asset because of financial difficulties.

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

### iii. Investments in equity instruments at FVTOCI

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

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

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

## 2) Impairment of financial assets

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

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

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

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

## 3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition 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.

## Financial liabilities

### 1) Subsequent measurement

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

### 2) 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.

## (14) Financial instruments

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.

## (15) Revenue recognition

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

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

### 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 and the goods are shipped or 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.

Revenue from sale of real estate is recognized 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.

## (16) Leasing

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

### 1) The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

### 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

## (17) 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.

## (18) 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.

## (19) 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 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.

## (20) Taxation

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

### 1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

### 2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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 Group takes the economic impact caused by the coronavirus epidemic into consideration for major accounting estimates. The management will continue to review the estimates and basic assumptions. If the revision of the estimate only affects the current year, it will be recognized in the same year; if the revision of the accounting estimate affects both the current year and future periods, it will be recognized in both periods.

**6. CASH AND CASH EQUIVALENTS**

	December 31	
	2020	2019
Petty cash and cash on hand	\$ 51,549	\$ 57,373
Checking accounts and demand deposits	1,060,410	2,865,537
Cash equivalents (investments with original maturities of less than 3 months)	4,876,622	359,879
	<u>\$ 5,988,581</u>	<u>\$ 3,282,789</u>
<u>Rate of interest per annum (%)</u>		
Bank balance	0.00-1.80	0.00-2.02
Investments with original maturities of less than 3 months	0.20-2.80	1.35-3.65



**7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT**

	<u>December 31</u> <u>2020</u>
<u>Financial assets - current</u>	
Mandatorily measured at FVTPL	
Hybrid financial assets	
— structured deposit	\$ <u>644,182</u>

**8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Investments in equity instrument</u>		
<u>    at FVTOCI - overseas unlisted</u>		
<u>    common shares</u>		
Leader Elastic Limited	\$ <u>-</u>	\$ <u>30,395</u>

These investments in equity instruments are held for medium to long-term strategic purposes and profits from long-term investment are expected. 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.

**9. FINANCIAL ASSETS AT AMORTIZED COST**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Restricted deposits	\$ <u>711,689</u>	\$ <u>134,012</u>
<u>Non-current</u>		
Restricted deposits	\$ <u>29,143</u>	\$ <u>29,864</u>

Restricted deposits - current are the Corporation's inward remittances of its overseas funds in the amount of \$395,431 thousand (US\$ 13,348 thousand) and \$288,517 thousand (US\$ 9,232 thousand) in 2020 and 2019 respectively, that was approved by the Ministry of Finance, according to "The Regulations on Industries Investment from Repatriated Offshore Funds". The Corporation also submitted investment plans to the Ministry of Economic Affairs for approval, and based on the regulations, the amount can only be used in the approved investment plans.

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Note receivables</u>		
At amortized cost	\$ <u>178,958</u>	\$ <u>85,987</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amounts	\$ 2,614,953	\$ 2,566,938
Less: Allowance for impairment loss	( <u>134,315</u> )	( <u>121,018</u> )
	\$ <u>2,480,638</u>	\$ <u>2,445,920</u>

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

The Group applies the approach to providing for expected credit losses, 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, and by distinguishing different risk groups, setting expected credit loss rate for each group.

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.

	<b>0 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>151 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
<u>December 31, 2020</u>						
Expected credit loss rate	1-4%	1-20%	1-40%	1-80%	1-100%	
Gross carrying amount	\$ 2,326,006	\$ 182,015	\$ 52,230	\$ 11,184	\$ 43,518	\$ 2,614,953
Loss allowance (Lifetime ECL)	( <u>53,396</u> )	( <u>25,022</u> )	( <u>17,697</u> )	( <u>7,045</u> )	( <u>31,155</u> )	( <u>134,315</u> )
Amortized cost	\$ <u>2,272,610</u>	\$ <u>156,993</u>	\$ <u>34,533</u>	\$ <u>4,139</u>	\$ <u>12,363</u>	\$ <u>2,480,638</u>
<u>December 31, 2019</u>						
Expected credit loss rate	0-4%	1-20%	1-40%	1-80%	1-100%	
Gross carrying amount	\$ 2,281,457	\$ 164,590	\$ 48,051	\$ 15,085	\$ 57,755	\$ 2,566,938
Loss allowance (Lifetime ECL)	( <u>34,874</u> )	( <u>23,731</u> )	( <u>16,343</u> )	( <u>9,165</u> )	( <u>36,905</u> )	( <u>121,018</u> )
Amortized cost	\$ <u>2,246,583</u>	\$ <u>140,859</u>	\$ <u>31,708</u>	\$ <u>5,920</u>	\$ <u>20,850</u>	\$ <u>2,445,920</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 121,018	\$ 116,430
Add: Net remeasurement of loss allowance	13,922	13,308
Less: Amounts written off	( 1,722)	( 5,003)
Foreign exchange gains and losses	<u>1,097</u>	<u>( 3,717)</u>
Balance at December 31	<u>\$ 134,315</u>	<u>\$ 121,018</u>

## 11. TRADE RECEIVABLES

### a. Manufacturing

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Finished goods	\$ 790,375	\$ 801,918
Work in process	478,864	515,844
Raw materials and supplies	876,168	887,310
Inventory in transit	<u>97,987</u>	<u>112,277</u>
	<u>\$ 2,243,394</u>	<u>\$ 2,317,349</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$8,220,959 thousand and \$8,884,419 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of \$160,974 thousand and \$132,495 thousand.

### b. Construction industry

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Construction under development	\$ 2,725,435	\$ 2,317,121
Construction to be sold	<u>409,141</u>	<u>401,558</u>
	<u>\$ 3,134,576</u>	<u>\$ 2,718,679</u>

#### Construction under development

<b>Location</b>	<b>Project Name</b>	<b>Estimated Year of Completion</b>	<b>December 31</b>	
			<b>2020</b>	<b>2019</b>
Xishan District, Wuxi	Paiho International Mansion - Season One	2018-2020	\$ -	\$ 982,118
	Paiho International Mansion - Season Two	2021	1,843,081	877,048
	Paiho Commercial Plaza	2021	<u>882,354</u>	<u>457,955</u>
			<u>\$ 2,725,435</u>	<u>\$ 2,317,121</u>

## Construction to be sold

<u>Location</u>	<u>Project Name</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
Xishan District, Wuxi	Paiho International Mansion - Season One	\$ 409,141	\$ 401,558

The cost of inventories recognized as cost of real estate sold for the year ended December 31, 2020 and 2019 was \$1,048,393 thousand and \$947,348 thousand, respectively.

## **12. SUBSIDIARIES**

### a. Subsidiaries included in the consolidated financial statements

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership (%)</u>	
			<u>December 31</u>	
			<u>2020</u>	<u>2019</u>
The Corporation	Paiho Int'L Limited	International investment	100	100
	Paiho Group Inc	International investment	100	100
	PT. Paiho Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	99	99
	Paiho North America Corporation	Sales of touch fasteners and various type of webbings	100	100
	Spring Rich Limited	Extra processing of webbings	100	100
	Vietnam Paiho Limited	Manufacture and extra processing on touch fasteners and various type of webbings	33	33
Paiho Int'L Limited	Paiho Shih Holdings Corporation	International investment	52	52
	Dongguan Paiho 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
	Zhong Yuan Xing Ye Company Ltd.	International trading	100	100
	PT. Paiho 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 and trading	100	100
	Taiwan Pai Lon Biotechnology Co., Ltd*	Production and sales of masks and non-woven products	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
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, development & leasing of real estate and design decoration.	100	100
	Wuxi Paiwei Biotechnology Co. Ltd	Production and sales of masks and non-woven products	100	100
Hon Shin Corp.	Vietnam Paihong Limited Company	Production & marketing of mesh and other fabrics.	100	100

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2020	2019
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

Refer to Tables 12 and 13 for investment structure as of December 31, 2020 and 2019.

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

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

b. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2020	2019
Paiho Shih Holdings Corporation and subsidiaries	48%	48%

Name of Subsidiary	Profit (loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Paiho Shih Holdings Corporation and subsidiaries	\$ 248,630	\$ 173,856	\$ 2,644,903	\$ 2,370,398

Paiho Shih Holdings Corporation and subsidiaries

	December 31	
	2020	2019
Current assets	\$ 11,287,848	\$ 6,848,006
Non-current assets	7,218,318	7,544,973
Current liabilities	( 7,401,420 )	( 5,877,856 )
Non-current liabilities	( 5,157,032 )	( 3,192,856 )
Equity	\$ 5,947,714	\$ 5,322,267

(Continued)

	December 31	
	2020	2019
Equity attributable to:		
Owners of Paiho Shih Holdings Corporation	\$ 3,302,811	\$ 2,951,869
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>2,644,903</u>	<u>2,370,398</u>
	<u>\$ 5,947,714</u>	<u>\$ 5,322,267</u>
For the Year Ended December 31		
	2020	2019
Revenue	<u>\$ 6,552,677</u>	<u>\$ 6,567,553</u>
Profit for the year	\$ 583,357	\$ 422,794
Other comprehensive income for the year	<u>251,740</u>	<u>( 220,163 )</u>
Total comprehensive income for the year	<u>\$ 835,097</u>	<u>\$ 202,631</u>
Profit attributable to:		
Owners of Paiho Shih Holdings Corporation	\$ 334,727	\$ 248,938
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>248,630</u>	<u>173,856</u>
	<u>\$ 583,357</u>	<u>\$ 422,794</u>
Total comprehensive income attributable to:		
Owners of Paiho Shih Holdings Corporation	\$ 469,035	\$ 127,278
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>366,062</u>	<u>75,353</u>
	<u>\$ 835,097</u>	<u>\$ 202,631</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 3,174,539	( \$ 25,622 )
Investing activities	( 1,136,503 )	( 776,656 )
Financing activities	<u>461,554</u>	<u>497,150</u>
Net cash inflow (outflow)	<u>\$ 2,499,590</u>	<u>( \$ 305,128 )</u>

### 13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2020					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 581,313	\$ 781	\$ -	\$ -	(\$ 4,038)	\$ 578,056
Buildings	5,611,257	67,597	( 46,164)	2,063,445	( 197,915)	7,498,220
Machinery and equipment	8,316,200	96,778	( 315,279)	400,203	( 194,039)	8,303,863
Transportation equipment	282,764	5,972	( 14,756)	9,054	( 6,462)	276,572
Miscellaneous equipment	766,544	58,303	( 28,048)	34,668	( 7,206)	824,261
Construction in progress	<u>2,497,643</u>	<u>652,046</u>	<u>-</u>	<u>( 1,949,357)</u>	<u>( 40,746)</u>	<u>1,159,586</u>
	<u>18,055,721</u>	<u>\$ 881,477</u>	<u>( \$ 404,247)</u>	<u>\$ 558,013</u>	<u>( \$ 450,406)</u>	<u>18,640,558</u>
<u>Accumulated depreciation</u>						
Buildings	1,501,330	\$ 252,131	(\$ 29,955)	\$ 4,936	(\$ 12,587)	1,715,855
Machinery and equipment	3,149,952	804,326	( 305,722)	( 4,633)	( 44,653)	3,599,270
Transportation equipment	133,778	31,610	( 12,289)	1,181	( 2,557)	151,723
Miscellaneous equipment	<u>504,599</u>	<u>91,122</u>	<u>( 24,530)</u>	<u>( 3,324)</u>	<u>( 1,506)</u>	<u>566,361</u>
	<u>5,289,659</u>	<u>\$ 1,179,189</u>	<u>( \$ 372,496)</u>	<u>( \$ 1,840)</u>	<u>( \$ 61,303)</u>	<u>6,033,209</u>
<u>Accumulated impairment</u>						
Buildings	<u>4,727</u>	<u>\$ -</u>	<u>( \$ 4,235)</u>	<u>\$ -</u>	<u>( \$ 492)</u>	<u>-</u>
Carrying amounts at December 31, 2020	<u>\$ 12,761,335</u>					<u>\$ 12,607,349</u>

**For the Year Ended December 31, 2019**

	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>								
Land	\$ 572,732	\$ -	\$ 572,732	\$ 10,701	(\$ 141)	\$ -	(\$ 1,979)	\$ 581,313
Buildings	4,026,454	-	4,026,454	62,108	( 30,204)	1,693,566	( 140,667)	5,611,257
Machinery and equipment	6,232,603	-	6,232,603	287,331	( 186,097)	2,189,976	( 207,613)	8,316,200
Transportation equipment	243,388	( 2,134)	241,254	13,651	( 11,809)	47,143	( 7,475)	282,764
Miscellaneous equipment	678,827	-	678,827	60,572	( 36,730)	88,352	( 24,477)	766,544
Construction in progress	<u>2,732,512</u>	<u>-</u>	<u>2,732,512</u>	<u>1,350,298</u>	<u>-</u>	<u>( 1,533,537)</u>	<u>( 51,630)</u>	<u>2,497,643</u>
	<u>14,486,516</u>	<u>(\$ 2,134)</u>	<u>14,484,382</u>	<u>\$1,784,661</u>	<u>(\$ 264,981)</u>	<u>\$2,485,500</u>	<u>(\$ 433,841)</u>	<u>18,055,721</u>
<u>Accumulated depreciation</u>								
Buildings	1,353,500	\$ -	1,353,500	\$ 203,175	(\$ 11,153)	(\$ 417)	(\$ 43,775)	1,501,330
Machinery and equipment	2,714,523	-	2,714,523	675,154	( 166,360)	( 17)	( 73,348)	3,149,952
Transportation equipment	117,425	( 820)	116,605	32,091	( 10,493)	-	( 4,425)	133,778
Miscellaneous equipment	<u>470,297</u>	<u>-</u>	<u>470,297</u>	<u>85,195</u>	<u>( 34,141)</u>	<u>5</u>	<u>( 16,757)</u>	<u>504,599</u>
	<u>4,655,745</u>	<u>(\$ 820)</u>	<u>4,654,925</u>	<u>\$ 995,615</u>	<u>(\$ 222,147)</u>	<u>(\$ 429)</u>	<u>(\$ 138,305)</u>	<u>5,289,659</u>
<u>Accumulated impairment</u>								
Buildings	-	\$ -	-	\$ 4,998	\$ -	\$ -	(\$ 271)	4,727
Carrying amounts at December 31, 2019	<u>\$9,830,771</u>		<u>\$9,829,457</u>					<u>\$12,761,335</u>

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 Tiaoxing Section with area of 5,044 square meters (classified as freehold land with carrying value of NT\$42,636 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:

<b>Buildings</b>	
Main buildings	5-60 years
Electrical power equipment	3-20 years
Engineering system	5-25 years
Other	3-10years
Machinery and equipment	2-16 years
Transportation equipment	2-11 years
Miscellaneous equipment	2-35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 30.

## 14. **LEASE ARRANGEMENTS**

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 1,404,822	\$ 1,498,107
Buildings	145,020	186,834
Transportation equipment	<u>2,410</u>	<u>874</u>
	<u>\$ 1,552,252</u>	<u>\$ 1,685,815</u>
<b>For the Year Ended December 31</b>		
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 7,536</u>	<u>\$ 455,376</u>
Depreciation charge for right-of-use assets		
Land	\$ 34,708	\$ 25,607
Buildings	43,179	55,256
Transportation equipment	<u>800</u>	<u>406</u>
	<u>\$ 78,687</u>	<u>\$ 81,269</u>

The Group has been subleasing its land located in Wuxi, China since 2014 under operating leases. The related right-of-use assets are presented as investment properties (as set out in Note 15). The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 27,514	\$ 37,432
Non-current	<u>113,528</u>	<u>136,087</u>
	<u>\$ 141,042</u>	<u>\$ 173,519</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	1.67%-5.00%	1.67%-5.00%
Transportation equipment	3.85%	4.75%

### c. Material leasing activities and terms

As lessee, the Group leases land and buildings for the use of plants, offices, employee dormitory and product manufacturing and storage with lease terms of 1 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.



d. Subleases

The sublease transactions have been described in Note 15.

e. Other lease information

Lease arrangements under operating leases of the Group as lessor of investment properties are set out in Note 15.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 11,807	\$ 11,039
Expenses relating to low-value asset leases	\$ 24,791	\$ 23,779
Total cash outflow for leases	(\$ 78,150)	(\$ 87,978)

As lessee, the Group leases certain buildings which qualify as short-term leases and certain miscellaneous equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INVESTMENT PROPERTIES

	<b>For the Year Ended December 31, 2020</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Translation Adjustments</b>	<b>Ending Balance</b>
<u>Cost</u>				
Completed investment properties	\$ 169,819	\$ -	\$ 2,663	\$ 172,482
Right-of-use assets	15,870	-	249	16,119
	<u>185,689</u>	<u>\$ -</u>	<u>\$ 2,912</u>	<u>188,601</u>
<u>Accumulated depreciation</u>				
Completed investment properties	31,945	\$ 5,509	\$ 658	38,112
Right-of-use assets	391	386	17	794
	<u>32,336</u>	<u>\$ 5,895</u>	<u>\$ 675</u>	<u>38,906</u>
Carrying amounts at December 31, 2020	<u>\$ 153,353</u>			<u>\$ 149,695</u>

	<b>For the Year Ended December 31, 2019</b>					
	<b>Beginning Balance</b>	<b>Adjustments on Initial Application of IFRS 16</b>	<b>Beginning Balance (Restated)</b>	<b>Additions</b>	<b>Translation Adjustments</b>	<b>Ending Balance</b>
<u>Cost</u>						
Completed investment properties	\$ 195,004	(\$ 18,156)	\$ 176,848	\$ -	(\$ 7,029)	\$ 169,819
Right-of-use assets	-	16,527	16,527	-	(657)	15,870
	<u>195,004</u>	<u>(\$ 1,629)</u>	<u>193,375</u>	<u>\$ -</u>	<u>(\$ 7,686)</u>	<u>185,689</u>
<u>Accumulated depreciation</u>						
Completed investment properties	29,088	(\$ 1,629)	27,459	\$ 5,982	(\$ 1,496)	31,945
Right-of-use assets	-	-	-	419	(28)	391
	<u>29,088</u>	<u>(\$ 1,629)</u>	<u>27,459</u>	<u>\$ 6,401</u>	<u>(\$ 1,524)</u>	<u>32,336</u>
Carrying amounts at December 31, 2019	<u>\$ 165,916</u>		<u>\$ 165,916</u>			<u>\$ 153,353</u>

Right-of-use assets classified as investment properties are the land in Wuxi, China, which the Group subleases under operating lease.

The term of the sublease of the investment properties is 7 years, with an option to extend for an additional 5 years. When the lessee exercises the option, the original contract is extended. The lessee does not have bargain purchase option to acquire the investment properties at the expiry of the lease period.

The maturity analysis of lease payments receivable from operating leases of investment properties was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 16,907	\$ 16,086
Year 2	16,907	16,629
Year 3	18,807	16,629
Year 4	19,439	18,497
Year 5	19,439	19,120
Year 5 onwards	4,860	23,899
	<u>\$ 96,359</u>	<u>\$ 110,860</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Investment properties constructed	20 years
Right-of-use assets	50 years

The investment properties located at Wuxi, China, are the plant and land used for leasing. Because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available, the Group determined that the fair value of the investment properties are not reliably measurable.

## 16. **GOODWILL**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Cost</u>		
Balance at January 1	\$ 220,774	\$ 237,610
Impairment loss	( 8,660)	( 11,525)
Effect of foreign currency exchange differences	( 7,379)	( 5,311)
Balance at December 31	<u>\$ 204,735</u>	<u>\$ 220,774</u>

## 17. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Tax overpayment for offset with future tax payable	\$ 458,446	\$ 534,514
Prepayments	71,750	49,423
Prepaid expenses	35,442	29,784
Others	109,252	27,962
	<u>\$ 674,890</u>	<u>\$ 641,683</u>
<u>Non-current</u>		
Refundable deposits	\$ 23,467	\$ 24,491
Others	26,133	20,071
	<u>\$ 49,600</u>	<u>\$ 44,562</u>

## 18. BORROWINGS

### a. Short-term borrowings

	December 31	
	2020	2019
Line of credit borrowings	<u>\$ 3,981,840</u>	<u>\$ 5,291,690</u>
Rate of interest per annum (%)	0.75-2.95	0.90-4.07

### b. Long-term borrowings

	December 31	
	2020	2019
Secured loans - due in January 2021 - December 2023	\$ 5,657,928	\$ 4,482,219
Unsecured loans - due in June 2022 - May 2024	<u>1,377,951</u>	<u>1,260,069</u>
	7,035,879	5,742,288
Less: Current portions	( 1,182,322 )	( 1,398,881 )
Long-term borrowings	<u>\$ 5,853,557</u>	<u>\$ 4,343,407</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	0.74-1.75	0.79-3.52
Unsecured loans	1.79-2.39	1.09-3.34

Refer to Note 30 for the details of assets pledged as collaterals for long-term borrowings.

In December 2016, the Corporation obtained a syndicated loan from Bank of Taiwan and multiple financial institutions in the amount of NT\$1,300 million. Funds 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) In 2019, debt ratio to equity ratio (total liabilities ÷ net tangible assets): Not higher than 150%; In 2020, debt ratio to equity ratio (total liabilities – contract 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.

## 19. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries and bonuses	\$ 868,365	\$ 834,946
Payables for purchases of building and equipment	89,258	376,182
Payables for compensation of employees and remuneration of directors	85,208	78,796
Others	<u>532,767</u>	<u>498,196</u>
	<u>\$ 1,575,598</u>	<u>\$ 1,788,120</u>

## 20. 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 and Indonesia 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 501,780	\$ 449,903
Fair value of plan assets	( 218,837 )	( 192,638 )
Net defined benefit liabilities	<u>\$ 282,943</u>	<u>\$ 257,265</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2019	<u>\$ 421,123</u>	<u>(\$ 179,581)</u>	<u>\$ 241,542</u>
Service cost			
Current service cost	14,220	-	14,220
Net interest expense (income)	<u>4,112</u>	<u>( 1,724 )</u>	<u>2,388</u>
Recognized in profit or loss	<u>18,332</u>	<u>( 1,724 )</u>	<u>16,608</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 6,334 )	( 6,334 )
Actuarial loss - changes in demographic assumptions	23	-	23
Actuarial loss - changes in financial assumptions	12,755	-	12,755
Actuarial loss - experience adjustments	<u>7,934</u>	<u>-</u>	<u>7,934</u>
Recognized in other comprehensive income	<u>20,712</u>	<u>( 6,334 )</u>	<u>14,378</u>
Contributions from the employer	-	( 15,263 )	( 15,263 )

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Benefits paid	( 10,264)	10,264	-
Balance at December 31, 2019	449,903	( 192,638)	257,265
Service cost			
Current service cost	16,576	-	16,576
Plan curtailment effects	( 1,675)	-	( 1,675)
Net interest expense (income)	3,244	( 1,372)	1,872
Recognized in profit or loss	18,145	( 1,372)	16,773
			(Continued)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 6,435)	( 6,435)
Actuarial loss - changes in demographic assumptions	22	-	22
Actuarial loss - changes in financial assumptions	24,998	-	24,998
Actuarial loss - experience adjustments	14,116	-	14,116
Recognized in other comprehensive income	39,136	( 6,435)	32,701
Contributions from the employer	-	( 23,796)	( 23,796)
Benefits paid	( 5,404)	5,404	-
Balance at December 31, 2020	\$ 501,780	(\$ 218,837)	\$ 282,943

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates	0.30%	0.75%
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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	(\$ 14,067)	(\$ 12,759)
0.25% decrease	\$ 14,726	\$ 13,355
Expected rate of salary increase		
0.25% increase	\$ 14,147	\$ 12,859
0.25% decrease	(\$ 13,588)	(\$ 12,351)

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 changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	\$ 3,821	\$ 3,675
Average duration of the defined benefit obligation	10 years	10 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.

## 21. 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:

	<u>Within 1 Year</u>	<u>More Than 1 Year</u>	<u>Total</u>
<u>December 31, 2020</u>			
Assets			
Other receivables	\$ 7,103	\$ -	\$ 7,103
Inventory - constructing	2,252,222	882,354	3,134,576
Other current assets	183,234	-	183,234
	<u>\$ 2,442,559</u>	<u>\$ 882,354</u>	<u>\$ 3,324,913</u>
Liabilities			
Trade payables	\$ 112,180	\$ -	\$ 112,180
Other payables	89,267	-	89,267
Contract liabilities	3,238,327	-	3,238,327
	<u>\$ 3,439,774</u>	<u>\$ -</u>	<u>\$ 3,439,774</u>
<u>December 31, 2019</u>			
Assets			
Trade receivables	\$ 2,583	\$ -	\$ 2,583
Other receivables	2,858	-	2,858
Inventory - constructing	1,383,676	1,335,003	2,718,679
Other current assets	70,306	-	70,306
	<u>\$ 1,459,423</u>	<u>\$ 1,335,003</u>	<u>\$ 2,794,426</u>
Liabilities			
Trade payables	\$ 159,573	\$ -	\$ 159,573
Other payables	23,915	-	23,915
Contract liabilities	58,235	-	58,235
	<u>\$ 241,723</u>	<u>\$ -</u>	<u>\$ 241,723</u>

## 22. EQUITY

### a. Common stock

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of authorized shares (in thousands)	<u>380,000</u>	<u>380,000</u>
Amount of authorized capital	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
Number of issued and fully paid shares (in thousands)	<u>297,964</u>	<u>297,964</u>
Amount of issued and fully paid shares	<u>\$ 2,979,639</u>	<u>\$ 2,979,639</u>

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



b. Capital surplus

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 dividends policy as set forth in the 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 an amount as 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 distribution is by issuing new shares, it should be resolved in the shareholders' meeting for the distribution of new shares to shareholders. According to Paragraph 5, Article 240 of the Company Act, dividends and bonuses could be distributed, in 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.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 24-c.

According to the Articles, 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.

The Corporation shall appropriate to or reverse from special reserve amounts of 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".

The appropriations of earnings for 2019 and 2018 which have been approved in the shareholders' meetings in June 10<sup>th</sup>, 2020 and June 12<sup>th</sup>, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 152,218	\$ 136,031
Special reserve	\$ 217,613	(\$ 1,301)
Cash dividends	\$ 893,892	\$ 744,706
Cash dividends per share (NT\$)	\$ 3	\$ 2.6

The appropriations of earnings for 2020 had been proposed by the Corporation's board of directors on March 24, 2021. The appropriations were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	\$ 153,010
Special reserve	\$ 123,855
Cash dividends	\$ 893,892
Cash dividends per share (NT\$)	\$ 3

The appropriations of earnings for 2020 are subject to the resolution in the shareholders' meeting to be held on June 17, 2021.

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.

## 23. SALES REVENUE AND COST

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contract with customers		
Revenue from sale of goods	\$ 12,917,276	\$ 13,998,917
Revenue from sale of real estate	1,728,001	1,300,737
	<u>\$ 14,645,277</u>	<u>\$ 15,299,654</u>
Operating cost		
Cost of goods sold	\$ 8,220,959	\$ 8,884,419
Cost of real estate sold	1,048,393	947,348
	<u>\$ 9,269,352</u>	<u>\$ 9,831,767</u>

## Contract balances

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract liabilities - current		
Sale of real estate	\$ 3,238,327	\$ 58,235

## **24. NET PROFIT FROM CONTINUING OPERATIONS**

### a. Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 186,725	\$ 264,561
Interest on lease liabilities	5,863	11,301
	<u>\$ 192,588</u>	<u>\$ 275,862</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest amount	\$ 41,939	\$ 94,400
Capitalization rates (%)	1.27-3.42	1.79-4.07

### b. Employee benefits expense, depreciation and amortization expenses

	<b>Operating Costs</b>	<b>Operating Expenses and Non-Operating Expenses</b>	<b>Total</b>
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits	\$ 1,794,145	\$ 1,493,149	\$ 3,287,294
Post-employment benefits			
Defined contribution plans	99,091	41,185	140,276
Defined benefit plans (Note 20)	1,689	15,084	16,773
Other employee benefits	129,735	68,560	198,295
Depreciation expenses	999,582	264,189	1,263,771
Amortization expenses	-	253	253
<u>For the Year Ended December 31, 2019</u>			
Short-term employee benefits	1,888,052	1,415,375	3,303,427
Post-employment benefits			
Defined contribution plans	109,227	48,160	157,387
Defined benefit plans (Note 20)	2,024	14,584	16,608
Other employee benefits	145,245	63,669	208,914
Depreciation expenses	824,845	258,440	1,083,285
Amortization expenses	21	-	21

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, 2020 and 2019, which were approved by the Corporation's board of directors on March 24, 2021 and March 19, 2020, respectively, are as follows:

<u>Cash</u>	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<u>Accrual rate</u>	<u>Amount</u>	<u>Accrual rate</u>	<u>Amount</u>
Employees' compensation	1.44%	\$ 27,288	1.42%	\$ 26,767
Remuneration of directors	0.93%	17,589	0.92%	17,254

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 next period.

The actual amounts of the employees' compensation and remuneration of directors paid for 2019 and 2018 differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2020 and 2019.

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts resolved in the board of directors	\$ 26,767	\$ 17,254	\$ 23,920	\$ 15,419
Amounts recognized in the financial statements	\$ 27,110	\$ 17,475	\$ 23,641	\$ 15,239

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the TWSE.

d. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 117,063	\$ 115,874
Foreign exchange losses	( 200,003 )	( 141,357 )
Loss	( \$ 82,940 )	( \$ 25,483 )

## 25. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 787,776	\$ 695,772
Income tax on unappropriated earnings	7,927	22,625
Adjustments for prior years	( 33,723 )	( 20,358 )
Land value increment tax	<u>73,244</u>	<u>26,037</u>
	<u>835,224</u>	<u>724,076</u>
Deferred tax		
In respect of the current year	45,778	116,313
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>2,145</u>	<u>-</u>
	<u>47,923</u>	<u>116,313</u>
Income tax expense recognized in profit or loss	<u>\$ 883,147</u>	<u>\$ 840,389</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income tax expense calculated at the statutory rate	\$ 1,202,310	\$ 1,134,646
Permanent difference	( 306,345 )	( 268,690 )
Temporary difference	( 14,669 )	( 18,880 )
Income tax on unappropriated earnings	7,927	22,625
Deduction of loss incurred in the current period	( 53 )	( 57 )
Adjustments for prior years' tax	( 33,723 )	( 20,358 )
Adjustments to deferred tax attributable to changes in tax rates and laws	2,145	-
Land value increment tax	73,244	26,037
Tax cut on repatriated funds	( <u>47,689</u> )	( <u>34,934</u> )
Income tax expense recognized in profit or loss	<u>\$ 883,147</u>	<u>\$ 840,389</u>

The corporate income tax rate is 20% according to the Income Tax Act in the ROC. The applicable tax rate used by subsidiaries in China was 25%. Tax rates used by other entities in the Group which operate in other jurisdictions were 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 for and obtained new certificate in 2016

and 2019. Therefore, the preferential tax rate will be 15% until 2021. Dongguan Paihong Industry Co., Ltd. has obtained the new and high technology enterprises certificate since 2015 and passed the re-application in 2018. Therefore, the preferential tax rate will continue to be 15% until 2020.

Wuxi Paihong Real Estate Co., Ltd. and Wuxi Paiwei Biotechnology Co. Ltd. have an income tax rate of 25%.

PT. Paiho Indonesia' income tax rate for 2020 and 2019 is 25% and 22% respectively.

Vietnam Paiho Limited's income tax rate for 2020 and 2019 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 that profit is earned for full exemption in the first two years and half exemption in the next four years (20% tax rate is the original rate). In addition, the upper limit of non-profitable is three years. If the company earns no profit for three consecutive years, the fourth year will be the first year of full exemption.

According to the temporary provisions in the land value added tax of the People's Republic of China effective January 1, 1994 and the related implementation regulations effective January 27, 1995, when transferring government owned land use rights, buildings, and related facilities in China, for the increase in value, tax should be calculated and paid at 30% to 60% progressive tax rate. If the increase in value does not exceed 20% of the total amount of the items transferred, the transfer of asset is exempted from the provisions and regulations.

The Group, based on the request of the local tax authority, needs to make partial prepayment for land value added taxes (classified as other current assets other) for presale of properties and sales of properties.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	(\$ 3,401)	(\$ 1,914)
Translation of foreign operations	( 23,475)	( 54,276)
	<u>(\$ 26,876)</u>	<u>(\$ 56,190)</u>

c. Income tax recognized in other comprehensive income

Deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory value decline	\$ 43,604	\$ 14,036	\$ -	\$ 57,640
Defined benefit obligation	30,261	( 4,075)	3,401	29,587
Profit from associates	17,058	( 4,140)	-	12,918
Doubtful debts	8,333	( 454)	-	7,879
Exchange difference on foreign operations	60,971	-	23,475	84,446
Unrealized foreign currency exchange loss	3,188	2,122	-	5,310
Others	25,604	62,208	-	87,812
	<u>\$ 189,019</u>	<u>\$ 69,697</u>	<u>\$ 26,876</u>	<u>\$ 285,592</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$1,023,109	\$ 103,630	\$ -	\$1,126,739
Others	45,641	13,990	-	59,631
	<u>\$1,068,750</u>	<u>\$ 117,620</u>	<u>\$ -</u>	<u>\$1,186,370</u>
For the Year Ended December 31, 2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory value decline	\$ 37,663	\$ 5,941	\$ -	\$ 43,604
Defined benefit obligation	30,484	( 2,137)	1,914	30,261
Profit from associates	11,214	5,844	-	17,058
Doubtful debts	11,380	( 3,047)	-	8,333
Exchange difference on foreign operations	6,695	-	54,276	60,971
Unrealized foreign currency exchange loss	-	3,188	-	3,188
Others	36,990	( 11,386)	-	25,604
	<u>\$ 134,426</u>	<u>(\$ 1,597)</u>	<u>\$ 56,190</u>	<u>\$ 189,019</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 919,473	\$ 103,636	\$ -	\$1,023,109
Unrealized foreign currency exchange gain	1,151	( 1,151)	-	-
Others	33,410	12,231	-	45,641
	<u>\$ 954,034</u>	<u>\$ 114,716</u>	<u>\$ -</u>	<u>\$1,068,750</u>

d. Income tax assessments

As of through 2018, the income tax returns of the Corporation (except for the year 2017) and Spring Rich Limited have been examined and cleared by the tax authorities.

## 26. EARNINGS PER SHARE

	<b>Net profit Attributable to Owners of the Corporation</b>	<b>Number of Shares (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,551,805	297,964	<u>\$ 5.21</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>482</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,551,805</u>	<u>298,446</u>	<u>\$ 5.20</u>
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,522,184	297,964	<u>\$ 5.11</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>378</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,522,184</u>	<u>298,342</u>	<u>\$ 5.10</u>

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.

## 27. 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.

## 28. 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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2020</u>			
<u>Financial assets at FVTPL</u>			
Financial products	\$ -	\$ 664,182	\$ -
<u>Financial assets at FVTOCI</u>			
Investments in equity instruments at FVTOCI			
Foreign unlisted shares	\$ -	\$ -	\$ -
<u>December 31, 2019</u>			
<u>Financial assets at FVTOCI</u>			
Investments in equity instruments at FVTOCI			
Foreign unlisted shares	\$ -	\$ -	\$ 30,395

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

Financial assets at fair value through other comprehensive income

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 30,395	\$ 31,644
Recognition in other comprehensive income of unrealized gain/(loss) on financial assets at FVTOCI	( 29,958)	( 507)
Translation adjustment	( 437)	( 742)
Ending balance	\$ -	\$ 30,395

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Structured Deposit)	Discounted cash flow.
	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 664,182	\$ -
Financial assets at amortized cost (1)	9,891,518	6,310,060
Financial assets at fair value through other comprehensive income - equity instruments	-	30,395

Financial liabilities

Financial liabilities at amortized cost (2)	13,298,013	13,487,543
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- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, restricted deposits, notes receivable, trade receivables, other receivables and refundable deposits.
- 2) 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 33.

#### 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 of 1% is used when reporting foreign currency risk internally to key management personnel and represents 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.

	<b>Currency Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	\$ 9,969	\$ 10,545
VND	775	273
RMB	415	183
HKD	339	499

The Group's exposure was mainly attributable to the outstanding receivables and payables in USD, HKD, VND and RMB, 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Short-term borrowings	\$ 1,039,856	\$ 2,550,019
Lease liabilities	141,042	173,519
Cash flow interest rate risk		
Short-term borrowings	2,941,984	2,741,671
Long-term borrowings (including current portion)	7,035,879	5,742,288

### Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates of 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 was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/ increased by \$24,945 thousand and \$21,210 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 are made for possible irrecoverable amounts. In this regard, the Group believes its 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, 2020 and 2019, the Group had available unutilized bank loan facilities of \$8,320,740 thousand and \$8,560,629 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.

<b>non-derivative financial liabilities</b>	<b>Less Than 3 months</b>	<b>3 months - 1 Year</b>	<b>Over 1 Year</b>
<u>December 31, 2020</u>			
Non-interest bearing	\$ 1,836,871	\$ 426,340	\$ 17,083
Lease liabilities	8,004	24,400	128,919
Short-term bank loan	1,751,856	2,229,984	-
Long-term bank loan	<u>166,473</u>	<u>1,015,849</u>	<u>5,853,557</u>
	<u>\$ 3,763,204</u>	<u>\$ 3,696,573</u>	<u>\$ 5,999,559</u>
<u>December 31, 2019</u>			
Non-interest bearing	\$ 2,065,231	\$ 374,184	\$ 14,150
Lease liabilities	17,545	25,798	156,215
Short-term bank loan	3,740,225	1,551,465	-
Long-term bank loan	<u>322,194</u>	<u>1,076,687</u>	<u>4,343,407</u>
	<u>\$ 6,145,195</u>	<u>\$ 3,028,134</u>	<u>\$ 4,513,772</u>

Lease liabilities that are not yet overdue at the end of the year were as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 32,404</u>	<u>\$ 84,549</u>	<u>\$ 24,210</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 10,560</u>
<u>December 31, 2019</u>						
Lease liabilities	<u>\$ 43,343</u>	<u>\$ 101,153</u>	<u>\$ 33,942</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 11,520</u>

## 29. 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

<b>Related Party</b>	<b>Relationship with the Group</b>
Cheng Tsung Investment Company Limited	Others
A-Wei Chen Cheng	Others
Cheng-Tsung Cheng	Others
Ming-Chang Chiang	Others
Chin-Hui Lin	Others
Hsi-Ming Pai	Others
Mei-Hui Lin	Others
Yun-Yun Cheng	Others
Tung-Huan Tseng	Others
Mei-Ting Yang	Others
Kuo-Chih Lai	Others
Po-Hsun Huang	Others

b. Sales of goods

<u>Related Parties Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Others	\$ <u>13,233</u>	\$ <u>48,759</u>

Others refer to sale of construction assets - Paiho International Mansion at subscription price which was approved in the local filing. As of December 31, 2020 and 2019, advance real estate receipts were \$0 and \$7,153 thousand (classified as contract liabilities current) respectively.

c. Receivables from related parties (excluding loans to related parties)

<u>Line Item</u>	<u>Related Parties Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Receivables	Others	\$ <u>-</u>	\$ <u>215</u>

d. Acquisitions of property, plant and equipment

<u>Related Parties Category/Name</u>	<u>Purchase Price (Including tax)</u> <u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Others	\$ <u>-</u>	\$ <u>8,400</u>

e. Lease arrangements

<u>Line Item</u>	<u>Related Parties Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Lease liabilities	Others	\$ <u>23,206</u>	\$ <u>23,894</u>

<u>Related Parties Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>

Interest expense

Others	\$ <u>394</u>	\$ <u>409</u>
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Lease expense (included in cost of goods sold and operating expense)

Others	\$ <u>1,236</u>	\$ <u>1,236</u>
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The rental rate is based on the rental in the neighboring area, and is subject to agreement between the parties.

f. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 184,030	\$ 185,148
Post-employment benefits	460	437
	<u>\$ 184,490</u>	<u>\$ 185,585</u>

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

**30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for long-term borrowings, guarantees, and power company:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at amortized cost	\$ 29,143	\$ 29,864
Property, plant and equipment	841,768	781,670
	<u>\$ 870,911</u>	<u>\$ 811,534</u>

**31. 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, 2020 and 2019 were as follows:

a. Group's unrecognized commitments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Acquisition of property, plant and equipment	<u>\$ 537,454</u>	<u>\$ 807,974</u>

b. As of December 31, 2020 and 2019, the Group had signed construction contracts but not yet paid for NT\$1,323,104 thousand and NT\$1,530,986 thousand, respectively.

c. As of December 31, 2020, the Group had signed contracts of presold real estate. Information is set out below.

<u>Construction Name</u>	<u>Total Amount (Including tax)</u>	<u>Received Amount</u>
Paiho International Mansion	<u>\$ 3,651,616</u>	<u>\$ 3,238,327</u>

- 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.

### **32. OTHERS**

Affected by the coronavirus epidemic, the group experienced a sharp decline in the global sales of sports and leisure footwear and apparel end products. The group's sale of main and auxiliary materials and accessories declined in the year of 2020. In response to the impact of coronavirus epidemic, the group applied subsidies for employee's salary and working capital to the government, acquiring a total of \$32,772 thousand.

### **33. 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, 2020			December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 35,681	28.48	\$ 1,016,195	\$ 36,479	29.98	\$ 1,093,640
VND	186,368,069	0.00111	206,869	26,154,163	0.00117	30,600
RMB	9,476	4.377	41,476	4,244	4.305	18,270
HKD	10,733	3.673	39,422	13,487	3.849	51,911
<u>Financial liabilities</u>						
Monetary items						
USD	679	28.48	19,338	1,305	29.98	39,124
VND	116,549,314	0.00111	129,370	2,862,163	0.00117	3,349
HKD	1,491	3.673	5,476	527	3.849	2,028

The Group is mainly exposed to risks of foreign currency exchange rates of 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:

Foreign Currencies	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
	1.0000		1.0000	
NTD	(NTD:NTD)	(\$ 39,698)	(NTD:NTD)	(\$ 20,403)
	29.5493		30.9118	
USD	(USD:NTD)	( 14,138)	(USD:NTD)	( 7,163)
	4.2818		4.4720	
RMB	(RMB:NTD)	( 28,091)	(RMB:NTD)	2,821
	3.8093		3.9450	
HKD	(HKD:NTD)	( 1,013)	(HKD:NTD)	( 738)
		(\$ 82,940)		(\$ 25,483)

### 34. 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)

c. Information on major shareholders

The list of all shareholders with ownership of 5 percent or greater (Table 11)

### 35. **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	
	2020	2019	2020	2019
Production	\$12,628,739	\$13,648,265	\$ 2,247,376	\$ 2,476,609
Powder coating	288,537	350,652	10,435	1,729
Construction	<u>1,728,001</u>	<u>1,300,737</u>	<u>551,221</u>	<u>280,251</u>
Total from continuing operations	<u>\$14,645,277</u>	<u>\$15,299,654</u>	2,809,032	2,758,589
Interest income			80,151	71,214
Other income and benefits			107,844	59,236
Net foreign exchange gain (loss)			( 82,940)	( 25,483)
Interest expenses			( 192,588)	( 275,862)
Other expenses and losses			( 37,917)	( 51,265)
Profit before income tax			<u>\$ 2,683,582</u>	<u>\$ 2,536,429</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2020 and 2019.

Segment profit represented the profit before tax earned by each segment without interest income, subsidy revenue, share of profit of associates accounted for using the equity method, net foreign exchange gain (loss), interest expense and income tax expense. This measured amount was 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		Non-current Assets	
	External Customers		December 31	
	Year Ended December 31			
	2020	2019	2020	2019
Taiwan	\$ 2,927,902	\$ 3,027,939	\$ 2,644,165	\$ 2,696,761
China	6,006,221	5,944,969	2,645,311	2,657,264
Vietnam	3,880,363	4,529,322	8,391,152	8,937,902
Others	<u>1,830,791</u>	<u>1,797,424</u>	<u>1,211,074</u>	<u>1,152,684</u>
	<u>\$14,645,277</u>	<u>\$15,299,654</u>	<u>\$ 14,891,702</u>	<u>\$ 15,444,611</u>

Non-current assets exclude deferred tax assets and financial instruments.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2020 and 2019.

**TABLE 1**

**TAIWAN PAIHO LIMITED AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars or Foreign Currency)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Notes 4 and 6)	Ending Balance (Notes 5 and 6)	Actual Borrowing Amount (Notes 5 and 8)	Interest Rate	Nature of Financing (Note 7)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1, 2, and 3)	Aggregate Financing Limits (Note 1, 2, and 3)
													Item	Value		
1	Paiho Int’L Limited	Vietnam Paiho Limited	Receivables from related parties	Yes	\$ 614,825 (USD 20,333)	\$ 439,067 (USD 15,417)	\$ 439,067 (USD 15,417)	2%-3%	Necessary for long-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 6,200,262	\$ 6,200,262
		PT. Paiho Indonesia	Receivables from related parties	Yes	154,335 (USD 5,000)	85,440 (USD 3,000)	85,440 (USD 3,000)	3%	Necessary for long-term financing	-	Operating capital	-	—	-	6,200,262	6,200,262
2	Dongguan Paihong Industry Co., Ltd.	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Yes	611,968 (RMB 140,000)	-	-	4.7%	Necessary for short-term financing	-	Operating capital	-	—	-	3,300,912	3,300,912
3	Wuxi Paiho Textile Co., Limited	Wuxi Paiwei Biotechnology Co. Ltd.	Receivables from related parties	Yes	172,020 (RMB 40,000)	175,080 (RMB 40,000)	131,310 (RMB 30,000)	4.35%-4.7%	Necessary for short-term financing	-	Operating capital	-	—	-	1,374,582	2,749,165
		Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Yes	610,342 (RMB 140,000)	-	-	4.35%-4.7%	Necessary for short-term financing	-	Operating capital	-	—	-	1,374,582	2,749,165
4	Paiho Shih Holdings Corporation	Hon Shin Corp.	Receivables from related parties	Yes	142,550 (USD 5,000)	142,400 (USD 5,000)	142,400 (USD 5,000)	3-month USD Libor rate, plus 1.28%	Necessary for short-term financing	-	Operating capital	-	—	-	2,037,162	2,037,162
		Vietnam Paihong Limited Company	Receivables from related parties	Yes	1,357,228 (USD 45,500)	1,153,440 (USD 40,500)	1,153,440 (USD 40,500)	3-month USD Libor rate, plus 1.28%	Necessary for short-term financing	-	Operating capital	-	—	-	2,037,162	2,037,162
5	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivables from related parties	Yes	997,985 (USD 32,875)	636,172 (USD 22,338)	636,172 (USD 22,338)	3-month USD Libor rate, plus 1.28% and 2.25%	Necessary for long-term and short-term financing	-	Operating capital	-	—	-	1,185,851	1,185,851

Note 1: The individual amount for lending to a company shall not exceed the 20% of borrowers’ paid-in capital and net worth, except that lending to foreign companies whose voting shares are 100% owned, directly or indirectly by the lender or the Corporation shall not exceed 50% of borrowers’ paid-in capital. The total amount for lending shall not exceed 40% of the net worth of lender.

Note 2: The individual and total amount for lending shall not exceed 40% of the net worth of lender to the companies whose voting shares are 100% owned, directly or indirectly by the lender or the Corporation.

Note 3: 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 the 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 4: The highest balance for the period in New Taiwan Dollars was calculated by multiplying the month in which the highest foreign currency balance occurred by the exchange rate of the new Taiwan Dollars on the day of occurrence.

Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Note 6: The ending balance amount has been approved by the board of directors.

Note 7: 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 Corporation holds, directly or indirectly, 100% of the voting shares.

Note 8: Significant intercompany accounts and transactions have been eliminated.

TABLE 2

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(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 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 5)	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										
0	The Corporation	Paiho Int'L Limited	(Note 1)	\$ 9,413,553	\$ 181,590 (USD 6,000)	\$ 85,440 (USD 3,000)	\$ -	\$ -	0.91%	\$ 14,120,330	Y	—	—
		Zhong Yuan Xing Ye Company Ltd.	(Note 1)	9,413,553	239,130 (USD 8,000)	85,440 (USD 3,000)	-	-	0.91%	14,120,330	Y	—	—
		PT. Paiho Indonesia	(Note 1)	9,413,553	2,494,495 (USD 84,000)	2,249,920 (USD 79,000)	1,013,888 (USD 35,600)	-	23.90%	14,120,330	Y	—	—
		He Mei Xing Ye Company Ltd.	(Note 1)	9,413,553	62,800 (USD 2,000)	-	-	-	-	14,120,330	Y	—	—
1	Paiho Shih Holdings Corporation	Hon Shin Corp.	(Note 1)	5,092,904	3,341,350 (USD 102,000) (EUR 8,000)	2,363,840 (USD 83,000)	811,680 (USD 28,500)	-	46.41%	7,639,356	—	—	—
		Vietnam Paihong Limited Company	(Note 1)	5,092,904	3,688,687 (USD 123,000)	2,815,248 (USD 98,850)	2,217,168 (USD 77,850)	-	55.28%	7,639,356	—	—	—
		Dongguan Paihong Industry Co., Ltd.	(Note 1)	5,092,904	157,000 (USD 5,000)	-	-	-	-	7,639,356	—	—	Y
		Vietnam Paihong Limited Company	(Note 1)	1,185,851	60,160 (USD 2,000)	56,960 (USD 2,000)	-	-	4.80%	1,778,776	—	—	—
2	Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 1)	1,185,851	60,160 (USD 2,000)	56,960 (USD 2,000)	-	-	4.80%	1,778,776	—	—	—

Note 1: The relationship between the endorser and endorsee is that the endorser holds 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, Paiho Shih Holdings Corporation and Hon Shin 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, Paiho Shih Holdings Corporation and Hon Shin Corporation.

Note 4: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars in the exchange rate of the month declared.

**TABLE 3****TAIWAN PAIHO LIMITED AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars or Foreign Currency)**

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units Note (In Thousands)	Carrying Value (Note 1 & 2)	Percentage of Ownership (%)	Fair Value (Note 1 & 2)	
Paiho Holdings Limited	<u>Stock right</u> Leader Elastic Limited	—	Financial assets at fair value through other comprehensive income - non current	7,500,000	\$ -	14.29%	\$ -	
Wuxi Paisen Chemical Fibre Co., Ltd.	<u>Finalcial products</u> Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	148,055 (RMB 33,920)	-	148,055 (RMB 33,920)	
Dongguan Paiho Textile Limited	<u>Finalcial products</u> Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	32,256 (RMB 7,390)	-	32,256 (RMB 7,390)	
Dongguan Paihong Industry Co., Ltd.	<u>Finalcial products</u> Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	266,852 (RMB 60,950)	-	266,852 (RMB 60,950)	
	Bank SinoPac - Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	197,019 (RMB 45,000)	-	197,019 (RMB 45,000)	

Note 1: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Note 2: Please refer to Note 28 for information on fair value through other comprehensive income.

**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, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount
Wuxi Paihong Real Estate Co., Ltd.	<u>Financial products</u>													
	Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	Financial assets at fair value through other comprehensive income - current	—	—	-	\$		\$ 512,251 (RMB 117,000)		\$ 512,251 (RMB 117,000)	\$ 512,251 (RMB 117,000)	\$ -	-	\$ -
Wuxi Paiho Textile Co., Limited	<u>Financial products</u>													
	Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	Financial assets at fair value through other comprehensive income - current	—	—	-			576,785 (RMB 131,740)		576,785 (RMB 131,740)	576,785 (RMB 131,740)	-	-	-
Dongguan Paihong Industry Co., Ltd.	<u>Financial products</u>													
	Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	Financial assets at fair value through other comprehensive income - current	—	—	-			531,777 (RMB 121,460)		264,925 (RMB 60,510)	264,925 (RMB 60,510)	-	-	266,852 (RMB 60,950)

Note 1: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.



**TABLE 5**

**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, 2020  
(In Thousands of New Taiwan Dollars or 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			
The Corporation	Commercial building	From January 25, 2019 to November 19, 2020	\$ 545,643	As for December 31, 2020 \$392,194 has been paid	True dreams Construction Co., Ltd.	—	—	—	—	\$	Refer to market price and set out by mutual agreement	Operating purpose	—

Note: The amount of transactions is according to the contracts.

TABLE 6

## 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, 2020

(In Thousands of New Taiwan Dollars or Foreign Currency)

Buyer/Seller	Related Party (Note 2)	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	\$ 473,626	( 12% )	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	\$ 43,598	5%
	Wuxi Paiho Textile Co., Limited	Note 1	Sale	136,008	( 4% )	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	37,831	5%
Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	Note 1	Sale	126,471 (USD 4,280)	( 100% )	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	21,018 (USD 738)	100%
Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd.	Note 1	Sale	288,555 (USD 9,765)	( 37% )	About 3 months	Use market price or purchase cost plus 17% of Pai Lon International Trading Limited	About 3 months	72,440 (USD 2,544)	49%
	Wuxi Paiho Textile Co., Limited	Note 1	Sale	106,019 (USD 3,588)	( 14% )	About 3 months	Use market price or purchase cost plus 17% of Pai Lon International Trading Limited	About 3 months	7,284 (USD 256)	5%
Wuxi Paiho Textile Co., Limited	Pai Lon International Trading Limited	Note 1	Sale	245,289 (RMB 57,286)	( 12% )	About 3 months	Use market price or 88% sales price of Pai Lon International Trading Limited	About 3 months	6,272 (RMB 1,433)	1%
Vietnam Paihong Limited Company	Hon Shin Corp.	Note 1	Sale	243,104 (USD 8,227)	( 85% )	About 3 months	Use market price	About 3 months	88,220 (USD 3,098)	83%

Note 1: See Note 12 to the consolidated financial statements

Note 2: Significant intercompany accounts and transactions have been eliminated.

**TABLE 7**

**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, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)**

Company Name	Related Party (Note 3)	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	Vietnam Paiho Limited	Note 2	\$ 439,067 (USD 15,417 )	-	\$ -	—	\$ -	\$ -
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	Note 2	1,156,264 (USD 40,599 )	-	-	—	2,225 (USD 78)	-
	Hon Shin Corp.	Note 2	153,720 (USD 5,397 )	-	-	—	-	-
Dongguan Paihong Industry Co., Ltd. Hon Shin Corp.	Pai Lon International Trading Limited	Note 2	171,190 (RMB 39,111 )	0.42	-	—	171,190 (RMB 39,111)	-
	Vietnam Paihong Limited Company	Note 2	660,482 (USD 23,191 )	1.56	-	—	37,508 (USD 1,317)	-

Note 1: Including trade receivables, other receivables and receivables from related party.

Note 2: See Note 12 to the consolidated financial statements.

Note 3: Significant intercompany accounts and transactions have been eliminated.

TABLE 8

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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	Vietnam Paiho Limited	1	Trade receivables	\$ 43,598	About 3 months	-
		Dongguan Paihong Industry Co., Ltd.	1	Trade receivables	42,312	About 3 months	-
		Wuxi Paiho Textile Co., Limited	1	Trade receivables	37,831	About 3 months	-
		Pai Lon International Trading Limited	1	Trade receivables	18,778	About 3 months	-
		Zhong Yuan Xing Ye Company Ltd.	1	Trade receivables	18,359	About 3 months	-
		Paiho North America Corporation	1	Trade receivables	10,794	About 3 months	-
		Dongguan Paiho Power Coating Co., Ltd.	1	Other receivables	3,394	—	-
		Vietnam Paiho Limited	1	Other receivables	2,429	—	-
		PT. Paiho Indonesia	1	Other receivables	2,246	—	-
		China Star International Limited	1	Other receivables	1,181	—	-
		Vietnam Paiho Limited	1	Trade payables	12,924	About 3 months	-
		Vietnam Paiho Limited	1	Temporary receipts	30,310	—	-
		Pai Lon International Trading Limited	1	Temporary receipts	12,289	—	-
		Vietnam Paiho Limited	1	Operating revenue	473,626	About 3 months	4
		Wuxi Paiho Textile Co., Limited	1	Operating revenue	136,008	About 3 months	1
		Dongguan Paihong Industry Co., Ltd.	1	Operating revenue	77,775	About 3 months	-
		Zhong Yuan Xing Ye Company Ltd.	1	Operating revenue	65,072	About 3 months	-
		Pai Lon International Trading Limited	1	Operating revenue	62,952	About 3 months	-
		Paiho North America Corporation	1	Operating revenue	27,998	About 3 months	-
		Vietnam Paiho Limited	1	Operating cost	67,029	About 3 months	1
		Pai Lon International Trading Limited	1	Operating cost	13,361	About 3 months	-
		Spring Rich Limited	1	Operating cost	1,442	About 3 months	-
		Dongguan Paihong Industry Co., Ltd.	1	Unrealized sales profit	25,228	—	-
		Wuxi Paiho Textile Co., Limited	1	Unrealized sales profit	19,983	—	-
		Paiho North America Corporation	1	Unrealized sales profit	11,087	—	-
		Vietnam Paiho Limited	1	Unrealized sales profit	6,197	—	-
		Pai Lon International Trading Limited	1	Unrealized sales profit	2,094	—	-
		Zhong Yuan Xing Ye Company Ltd.	1	Other revenue	26,832	—	-
		Vietnam Paiho Limited	1	Other revenue	12,933	—	-
		PT. Paiho Indonesia	1	Other revenue	9,221	—	-
		Wuxi Paiho Textile Co., Limited	1	Other revenue	2,137	—	-
		Paiho North America Corporation	1	Other revenue	1,507	—	-
		Pai Lon International Trading Limited	1	Other revenue	1,378	—	-

No.	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
1	Paiho Int’L Limited	Vietnam Paiho Limited	1	Receivables - related parties	USD 15,417	—	4
		PT. Paiho Indonesia	3	Receivables - related parties	USD 3,000	—	-
		Vietnam Paiho Limited	1	Temporary receipts	USD 1,262	—	-
		Vietnam Paiho Limited	1	Interest revenue	USD 396	—	-
		PT. Paiho Indonesia	3	Interest revenue	USD 85	—	-
2	Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd.	3	Trade receivables	USD 2,544	About 3 months	-
		Paiho North America Corporation	3	Trade receivables	USD 336	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Trade receivables	USD 256	About 3 months	-
		Vietnam Paiho Limited	3	Trade receivables	USD 139	About 3 months	-
		Hon Shin Corp.	3	Other receivables	USD 86	—	-
		Wuxi Paiho Textile Co., Limited	3	Trade payables	USD 217	About 3 months	-
		Dongguan Paihong Industry Co., Ltd.	3	Trade payables	USD 55	About 3 months	-
		Dongguan Paihong Industry Co., Ltd.	3	Temporary receipts	USD 5,940	—	1
		Dongguan Paihong Industry Co., Ltd.	3	Operating revenue	USD 9,765	About 3 months	2
		Wuxi Paiho Textile Co., Limited	3	Operating revenue	USD 3,588	About 3 months	1
		Paiho North America Corporation	3	Operating revenue	USD 2,120	About 3 months	-
		Vietnam Paiho Limited	3	Operating revenue	USD 1,140	About 3 months	-
		PT. Paiho Indonesia	3	Operating revenue	USD 47	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Operating cost	USD 8,217	About 3 months	2
		Dongguan Paihong Industry Co., Ltd.	3	Operating cost	USD 861	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Unrealized sales profit	USD 473	—	-
		Dongguan Paihong Industry Co., Ltd.	3	Unrealized sales profit	USD 164	—	-
3	Wuxi Paisem Chemical Fibre Co., Ltd.	Wuxi Paiho Textile Co., Limited	3	Other receivables	RMB 612	—	-
4	Wuxi Paiho Textile Co., Limited	Dongguan Paihong Industry Co., Ltd.	1	Trade receivables	RMB 954	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Trade receivables	RMB 769	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Receivables - related parties	RMB 30,000	—	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Other receivables	RMB 706	—	-
		Dongguan Paihong Industry Co., Ltd.	1	Trade payables	RMB 2,411	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Other payables	RMB 270	—	-
		Dongguan Paihong Industry Co., Ltd.	1	Operating revenue	RMB 4,492	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Operating revenue	RMB 2,119	About 3 months	-
		Dongguan Paihong Industry Co., Ltd.	1	Operating cost	RMB 22,257	About 3 months	1
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Operating cost	RMB 419	About 3 months	-
		Dongguan Paihong Industry Co., Ltd.	1	Unrealized sales profit	RMB 253	—	-

(Continued)

No.	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
4	Wuxi Paiho Textile Co., Limited	Wuxi Paihong Real Estate Co., Ltd.	1	Interest revenue	RMB 4,003	—	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Interest revenue	RMB 636	—	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Rent revenue	RMB 867	—	-
5	Dongguan Paihong Industry Co., Ltd.	PT. Paiho Indonesia	3	Trade receivables	RMB 266	About 3 months	-
		PT. Paiho Indonesia	3	Operating revenue	RMB 3,398	About 3 months	-
		Dongguan Paiho Textile Limited	3	Operating cost	RMB 1,010	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	3	Operating cost	RMB 261	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Unrealized sales profit	RMB 1,030	—	-
		Wuxi Paihong Real Estate Co., Ltd.	3	Interest revenue	RMB 2,880	—	-
6	Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	3	Trade receivables	USD 738	About 3 months	-
		PT. Paiho Indonesia	3	Operating revenue	USD 4,280	About 3 months	1
		PT. Paiho Indonesia	3	Unrealized sales profit	USD 153	—	-
7	Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	1	Receivables - related parties	USD 40,500	—	4
		Hon Shin Corp.	1	Receivables - related parties	USD 5,000	—	-
		Pai Lon International Trading Limited	1	Other receivables	USD 428	—	-
		Hon Shin Corp.	1	Other receivables	USD 397	—	-
		Vietnam Paihong Limited Company	1	Other receivables	USD 99	—	-
		Vietnam Paihong Limited Company	1	Interest revenue	USD 590	—	-
		Pai Lon International Trading Limited	1	Other revenue	USD 2,400	—	-
		Hon Shin Corp.	1	Other revenue	USD 1,800	—	-
8	Hon Shin Corp.	Vietnam Paihong Limited Company	1	Trade receivables	USD 824	About 3 months	-
		Vietnam Paihong Limited Company	1	Receivables - related parties	USD 22,338	—	2
		Vietnam Paihong Limited Company	1	Trade payables	USD 3,098	About 3 months	-
		Vietnam Paihong Limited Company	1	Operating revenue	USD 3,203	About 3 months	1
		Vietnam Paihong Limited Company	1	Operating cost	USD 8,227	About 3 months	2
		Vietnam Paihong Limited Company	1	Interest revenue	USD 527	—	-
9	Vietnam Paiho Limited	Paiho North America Corporation	3	Trade receivables	USD 358	About 3 months	-
		Paiho North America Corporation	3	Operating revenue	USD 1,768	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Operating revenue	USD 192	About 3 months	-
		PT. Paiho Indonesia	3	Operating revenue	USD 49	About 3 months	-
		The Cooperation	2	Unrealized sales profit	USD 130	—	-
10	PT. Paiho Indonesia	Wuxi Paiho Textile Co., Limited	3	Operating cost	USD 699	About 3 months	-
		Wuxi Paiho Textile Co., Limited	3	Trade payables	USD 204	About 3 months	-

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.

**TABLE 9**

**TAIWAN PAIHO LIMITED AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)**

Investor Company	Investee Company (Note 3)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount (Note 3)			
The Corporation	Paiho Int’L Limited	British Virgin Islands	International investment	\$ 1,107,261	\$ 1,107,261	33,368,564	100%	\$ 6,640,607	\$ 783,446	\$ 819,221	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	843,303	34,072	33,398	Subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	538,877	128,531	127,246	Subsidiary
	Paiho North America Corporation	California	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	179,967	( 3,567 )	( 3,567 )	Subsidiary
	Spring Rich Limited	Taiwan Changhua	Extra processing of webbings	3,000	3,000	-	100%	5,280	251	251	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City of Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	358,776	246,620	-	33%	1,254,174	784,058	258,634	Sub-subsubsidiary
Paiho Int’L Limited	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	162,632,396	52%	2,851,497	583,357	Note 1	Sub-subsubsidiary
	He Mei Xing Ye Company Ltd.	British Samoa	International investment	USD 16,263	USD 16,263	23,636,140	100%	2,564,807	525,570	Note 1	Sub-subsubsidiary
	Zhong Yuan Xing Ye Company Ltd.	British Samoa	International trading	USD 3,760	USD 3,760	3,760,000	100%	( 551 )	( 18,876 )	Note 1	Sub-subsubsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	USD 180	USD 180	1,800	1%	5,443	128,531	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	773,954	546,856	-	67%	2,564,807	784,058	Note 1	Sub-subsubsidiary
Paiho Shih Holdings Corporation	Hong Kong Antex Limited	Hong Kong	International investment	USD 54,335	USD 54,335	54,334,644	100%	7,486,939	1,084,903	Note 1	Sub-subsubsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD 1,791	USD 1,791	1,500,000	100%	( 105,598 )	( 22,794 )	Note 1	Sub-subsubsidiary
	Hon Shin Corp.	British Samoa	International investment & trading	USD 95,000	USD 95,000	95,000,000	100%	1,094,697	( 571,317 )	Note 1	Sub-subsubsidiary
	Taiwan Pai Lon Biotechnology Co. Ltd.	Taiwan	Production and sales of masks and non-woven products	60,000	-	60,000,000	100%	59,766	( 213 )	Note 1	Sub-subsubsidiary
Paiho Group Inc.	Paiho Holdings Limited	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	844,573	34,073	Note 1	Sub-subsubsidiary
Paiho Holdings Limited	Braits Company Limited	British Virgin Islands	International investment	562,498	562,498	16,601,385	100%	535,450	39,380	Note 1	Sub-subsubsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong Province, Vietnam	Production & marketing of mesh and other fabrics	USD 95,000	USD 95,000	-	100%	1,340,708	( 537,473 )	Note 1	Sub-subsubsidiary

Note 1: Not applicable.

Note 2: Information on investment in mainland China, is on Table 10.

Note 3: Significant intercompany accounts and transactions have been eliminated.

**TABLE 10****TAIWAN PAIHO LIMITED AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars or 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	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, 2020 (Notes 5 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Dongguan Paiho Textile Limited	Production & marketing of touch fasteners, elastics, various type of webbings and computerizes embroidery	\$ 150,878 (RMB 34,471)	(Note 1)	\$ -	\$	\$	\$ -	(\$ 3,553)	100%	(\$ 3,553)	\$ 154,608	\$ 1,214,739
Wuxi Paiho Textile Co., Limited	Processing of touch fastener, webbing and embroidery	1,683,360 (RMB 384,592)	(Note 1)	985,180			985,180	1,035,344	55%	568,300	4,013,713	320,508
China Star International Limited	Production & marketing of powder coating	180,305 (RMB 41,194)	(Note 1)	201,922			201,922	( 4,290 )	100%	( 4,290 )	246,993	337,582
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	180,105 (RMB 41,148)	(Note 1)	35,720			35,720	12,928	100%	12,928	226,352	40,077
Wuxi Paisem Chemical Fibre Co., Ltd.	Production & marketing of chemical fiber	578,581 (RMB 132,187)	(Note 1)	564,691			564,691	39,380	100%	39,380	535,450	-
Dongguan Paihong Industry Co., Ltd.	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	1,563,004 (RMB 357,095)	(Note 1)	141,664			141,664	534,344	54%	286,806	1,873,207	156,170
Wuxi Paihong Real Estate Co., Ltd.	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.	1,663,260 (RMB 380,000)	(Note 1)	(Note 2)			-	361,125	55%	198,195	1,282,605	-
Wuxi Paiwei Biotechnology Co. Ltd.	Production and sales of masks and non-woven products	218,850 (RMB 50,000)	(Note 1)	(Note 2)			-	27,667	55%	15,185	124,153	-

Accumulated Outward Remittance for Investment in Main land China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 352,831	\$ 565,356 ( USD 19,851 )	No maximum limitation (Note 3)

Note 1: See Note 12 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****INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

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Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Fubon Life Assurance Co.,LTD	23,363,000	7.84%

Note: Major shareholders shows the list of all shareholders with ownership of 5 percent or greater (including treasury shares) based on the last business day at the end of the current quarter. The share capital recorded in the company's consolidated financial statements and the actual number of shares delivered without physical registration may be different due to different calculation basis.

TABLE 12

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INVESTMENT STRUCTURE  
FOR THE YEAR ENDED DECEMBER 31, 2020

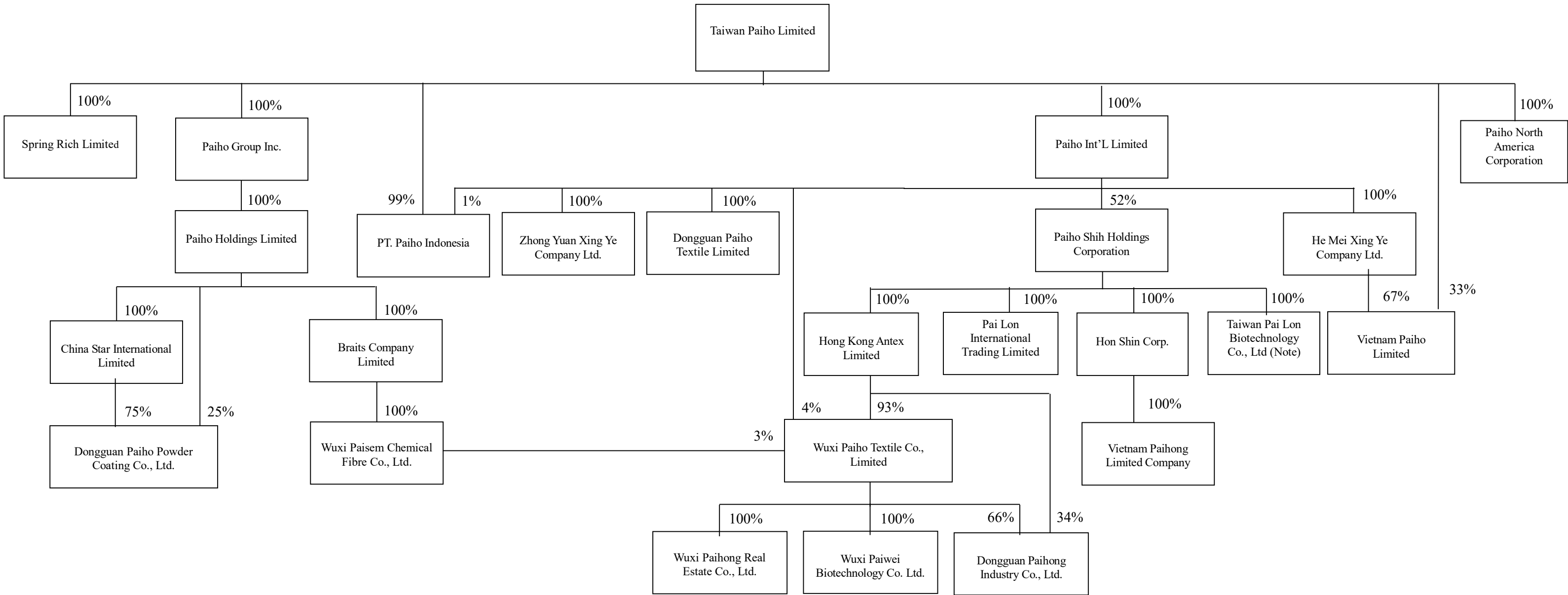
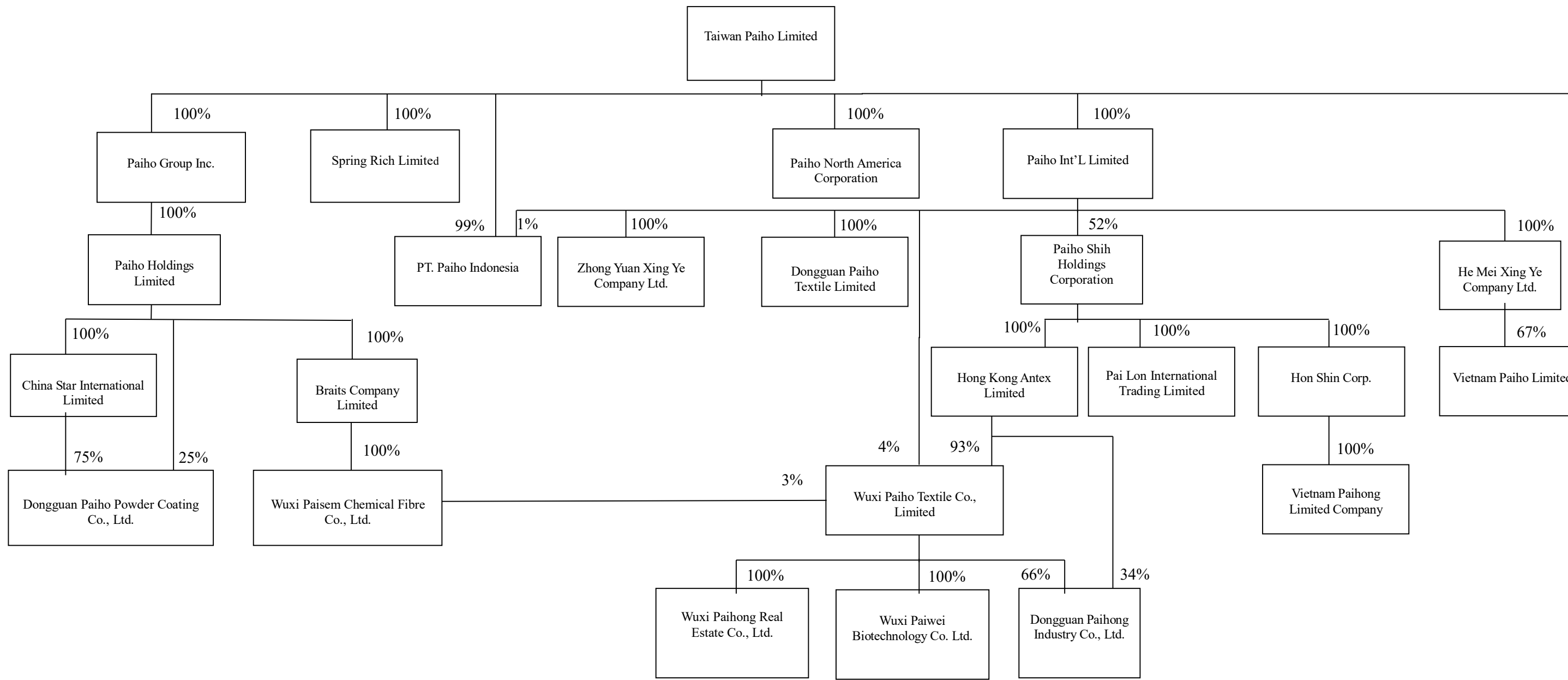


TABLE 13

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

INVESTMENT STRUCTURE  
FOR THE YEAR ENDED DECEMBER 31, 2019



## 6.5 Financial Statements and CPAs' Report in the Recent Year

### **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, 2020 and 2019, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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.

#### **Key Audit Matters**

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

Key audit matters of the Corporation's financial statements for the year ended December 31, 2020 are as follows:

#### Recognition of sales revenue

The main business items of the Company include the manufacturing and sale of touch fastener, webbing, shoelace, elastic, easy tape, and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors. Among all the goods, the revenue from the sale of webbing and touch fastener significantly influence the operating revenue and profit of the Cooperation. Therefore, we consider the above mentioned

sales revenue as a key audit matter. Refer to Note 4 to the individual financial statements for the relevant and additional information.

Our key audit procedures performed in respect of the above mentioned items included the following:

1. We understood the design and operating effectiveness of controls and procedures for identifying sales revenue, and then we sampled and verified the accuracy of approved original orders.
2. We chose samples from the list of main products sales revenue and checked their original order, shipment, invoice, and collection of payments, inspecting the recognition of the revenue and the collection of receivables.

### **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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2021

#### Notice to Readers

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**
**BALANCE SHEETS**
**DECEMBER 31, 2020 AND 2019**
**(In Thousands of New Taiwan Dollars)**

Code	ASSETS	2020		2019	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 312,692	2	\$ 310,602	2
1136	Financial assets at amortized - current (Notes 4 and 7)	207,622	2	134,012	1
1150	Notes receivable (Notes 4)	149,781	1	59,485	1
1170	Trade receivables (Notes 4, 8 and 23)	623,217	4	527,984	4
1200	Other receivables (Note 23)	10,438	-	10,778	-
1310	Inventories (Notes 4 and 9)	383,211	3	383,601	3
1470	Other current assets (Note 13)	46,536	-	49,241	-
11XX	Total current assets	1,733,497	12	1,475,703	11
	NON-CURRENT ASSETS				
1535	Financial assets at amortized cost - non-current (Notes 4, 7 and 24)	8,938	-	8,924	-
1550	Investments accounted for using the equity method (Notes 4, 10 and 24)	9,462,208	68	8,645,030	66
1600	Property, plant and equipment (Notes 4, 11, 23 and 24)	2,519,292	18	2,575,216	20
1755	Right-of-use assets (Notes 4 and 12)	30,292	-	31,943	-
1780	Intangible assets	189	-	-	-
1840	Deferred tax assets (Notes 4 and 19)	166,309	1	142,598	1
1915	Prepayments for machinery and equipment	66,260	1	61,346	1
1960	Prepayments for investments (Notes 4 and 10)	-	-	112,156	1
1990	Other non-current assets (Note 13)	20,053	-	20,298	-
15XX	Total non-current assets	12,273,541	88	11,597,511	89
1XXX	TOTAL	\$ 14,007,038	100	\$ 13,073,214	100
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2102	Short-term borrowings (Note 14)	\$ 550,000	4	\$ 330,000	3
2150	Notes payable	61,201	1	50,641	-
2170	Trade payables (Note 23)	176,983	1	192,501	2
2200	Other payables (Note 15)	382,874	3	389,475	3
2230	Current tax liabilities (Notes 4 and 19)	245,322	2	119,094	1
2280	Lease liabilities - current (Notes 4, 12 and 23)	3,644	-	4,130	-
2320	Current portion of long-term borrowings (Notes 14 and 24)	481,000	3	556,000	4
2399	Other current liabilities (Note 23)	60,279	-	38,691	-
21XX	Total current liabilities	1,961,303	14	1,680,532	13
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Notes 14 and 24)	1,025,220	7	1,015,700	8
2570	Deferred tax liabilities (Notes 4 and 19)	1,037,031	8	901,528	7
2580	Lease liabilities - non-current (Notes 4, 12 and 23)	26,950	-	27,912	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 16)	147,419	1	150,819	1
2645	Guarantee deposits received	30	-	30	-
25XX	Total non-current liabilities	2,236,650	16	2,095,989	16
2XXX	Total liabilities	4,197,953	30	3,776,521	29
	EQUITY				
3110	Common stock	2,979,639	21	2,979,639	23
3200	Capital surplus	727,926	5	727,890	5
	Retained earnings				
3310	Legal reserve	1,487,627	11	1,335,409	10
3320	Special reserve	448,343	3	230,730	2
3350	Unappropriated earnings	4,737,748	34	4,471,368	34
3400	Other equity	( 572,198 )	( 4 )	( 448,343 )	( 3 )
3XXX	Total equity	9,809,085	70	9,296,693	71
	TOTAL	\$ 14,007,038	100	\$ 13,073,214	100

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang



# TAIWAN PAIHO LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	2020		2019	
	Amount	%	Amount	%
4000 SALES (Notes 4 and 23)	\$ 3,771,343	100	\$ 4,090,277	100
5000 COST OF GOODS SOLD (Notes 4, 9, 18 and 23)	<u>2,635,194</u>	<u>70</u>	<u>2,878,516</u>	<u>70</u>
5900 GROSS PROFIT	1,136,149	30	1,211,761	30
5910 REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>20,699</u>	<u>-</u>	<u>( 29,218)</u>	<u>( 1)</u>
5950 REALIZED GROSS PROFIT	<u>1,156,848</u>	<u>30</u>	<u>1,182,543</u>	<u>29</u>
OPERATING EXPENSES (Notes 8, 18 and 23)				
6100 Selling and marketing expenses	276,154	7	291,710	7
6200 General and administrative expenses	110,970	3	108,954	2
6300 Research and development expenses	148,368	4	158,416	4
6450 Expected credit loss (gain)	<u>2,566</u>	<u>-</u>	<u>( 9,414)</u>	<u>-</u>
6000 Total operating expenses	<u>538,058</u>	<u>14</u>	<u>549,666</u>	<u>13</u>
6900 PROFIT FROM OPERATIONS	<u>618,790</u>	<u>16</u>	<u>632,877</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
7010 Subsidy income (Note 4 and 26)	35,425	1	1,450	-
7070 Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 4)	1,235,183	33	1,227,410	30

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
7100	Interest income (Note 4)	\$ 1,089	-	\$ 1,232	-
7190	Other income (Note 23)	32,468	1	25,368	1
7210	Loss on disposal of property, plant and equipment	( 4,754)	-	( 287)	-
7510	Interest expense (Notes 4, 18 and 23)	( 20,159)	( 1)	( 22,650)	( 1)
7590	Other expenses (Note 18)	( 8,291)	-	( 7,241)	-
7630	Net foreign exchange loss (Notes 4 and 18)	( 39,698)	( 1)	( 20,403)	( 1)
7000	Total non-operating income and expenses	<u>1,231,263</u>	<u>33</u>	<u>1,204,879</u>	<u>29</u>
7900	PROFIT BEFORE INCOME TAX	1,850,053	49	1,837,756	45
7950	INCOME TAX EXPENSE (Notes 4 and 19)	<u>298,248</u>	<u>8</u>	<u>315,572</u>	<u>8</u>
8200	NET PROFIT FOR THE YEAR	<u>1,551,805</u>	<u>41</u>	<u>1,522,184</u>	<u>37</u>
OTHER COMPREHENSIVE INCOME (Note 4)					
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 16)	( 17,004)	-	( 9,570)	-
8330	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	( 38,057)	( 1)	( 2,988)	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	<u>3,401</u>	<u>-</u>	<u>1,914</u>	<u>-</u>
		<u>( 51,660)</u>	<u>( 1)</u>	<u>( 10,644)</u>	<u>-</u>

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	(\$ 117,372)	( 3)	(\$ 271,382)	( 6)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	<u>23,475</u> ( <u>93,897</u> )	<u>-</u> ( <u>3</u> )	<u>54,276</u> ( <u>217,106</u> )	<u>1</u> ( <u>5</u> )
8300	Other comprehensive income (loss) for the year, net of income tax	( <u>145,557</u> )	( <u>4</u> )	( <u>227,750</u> )	( <u>5</u> )
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,406,248</u>	<u>37</u>	<u>\$ 1,294,434</u>	<u>32</u>
	EARNINGS PER SHARE (Note 20)				
9750	Basic	<u>\$ 5.21</u>		<u>\$ 5.11</u>	
9850	Diluted	<u>\$ 5.20</u>		<u>\$ 5.10</u>	

(Concluded)

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei  
Cheng

Accounting Supervisor: Yao-Da  
Huang

# TAIWAN PAIHO LIMITED

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

		Capital Surplus (Note 17)				Retained Earnings (Note 17)			Other Equity (Notes 4 and 17)		
				Difference Between 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 Translting Foreign Operations	Unrealized Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Total Equity
Code		Common Stock (Note 17)	Additional Paid-in Capital								
A1	BALANCE AT JANUARY 1, 2019	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 135	\$ 1,199,378	\$ 232,031	\$ 3,868,757	( \$ 231,520 )	\$ 790	\$ 8,776,955
C3	Donation from shareholders	-	-	-	10	-	-	-	-	-	10
B1	Appropriation of 2018 earnings										
B1	Legal reserve	-	-	-	-	136,031	-	( 136,031 )	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 774,706 )	-	-	( 774,706 )
B17	Special reserve reversed	-	-	-	-	-	( 1,301 )	1,301	-	-	-
D1	Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,522,184	-	-	1,522,184
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	( 10,137 )	( 217,106 )	( 507 )	( 227,750 )
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,512,047	( 217,106 )	( 507 )	1,294,434
Z1	BALANCE AT DECEMBER 31, 2019	2,979,639	615,831	111,914	145	1,335,409	230,730	4,471,368	( 448,626 )	283	9,296,693
C3	Donation from shareholders	-	-	-	36	-	-	-	-	-	36
B1	Appropriation of 2019 earnings										
B1	Legal reserve	-	-	-	-	152,218	-	( 152,218 )	-	-	-
B3	Special reserve	-	-	-	-	-	217,613	( 217,613 )	-	-	-
B5	Cash dividends distributed by the Corporation	-	-	-	-	-	-	( 893,892 )	-	-	( 893,892 )
D1	Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,551,805	-	-	1,551,805
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	( 21,702 )	( 93,897 )	( 29,958 )	( 145,557 )
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,530,103	( 93,897 )	( 29,958 )	1,406,248
Z1	BALANCE AT DECEMBER 31, 2020	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	( \$ 542,523 )	( \$ 29,675 )	\$ 9,809,085

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

# TAIWAN PAIHO LIMITED

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

Code		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$1,850,053	\$1,837,756
A20010	Adjustments for:		
A20100	Depreciation expenses	272,495	263,699
A20200	Amortization expenses	5	-
A20300	Expected credit loss recognized (reversed)	2,566	( 9,414)
A20900	Interest expense	20,159	22,650
A21200	Interest income	( 1,089)	( 1,232)
A22400	Share of profit or loss of associates accounted for using the equity method	( 1,235,183)	( 1,227,410)
A22500	Loss on disposal of property, plant and equipment	4,754	287
A23700	Impairment loss recognized on non-financial assets	19,492	28,614
A24000	Unrealized (realized) gain on the transactions with subsidiaries and associates	( 20,699)	29,218
A24100	Unrealized foreign currency exchange loss, net	4,040	6,939
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	( 90,296)	54,521
A31150	Trade receivables	( 101,669)	( 23,828)
A31180	Other receivables	340	58,451
A31200	Inventories	( 19,102)	7,918
A31240	Other current assets	2,705	( 19,755)
A32130	Notes payable	10,560	( 40,918)
A32150	Trade payables	( 15,518)	59,795
A32180	Other payables	10,422	33,325
A32230	Other current liabilities	21,418	( 20,492)
A32240	Net defined benefit liabilities	( 20,404)	( 10,693)
A33000	Cash generated from operations	715,049	1,049,431
A33100	Interest received	1,089	1,232
A33200	Dividends received	395,431	514,297
A33300	Interest paid	( 20,286)	( 22,758)
A33500	Income taxes paid	( 33,352)	( 181,914)
AAAA	Net cash generated from operating activities	<u>1,057,931</u>	<u>1,360,288</u>

(Continued)

<u>Code</u>		<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00040	Purchase of financial assets at amortized cost	(\$ 207,636)	(\$ 135,786)
B00050	Proceeds from disposal of financial assets at amortized cost	134,012	-
B02000	Increase in prepayments for investments	-	( 112,156)
B02700	Payments for property, plant and equipment	( 211,435)	( 411,916)
B02800	Proceeds from disposal of property, plant and equipment	509	284
B03700	Increase in refundable deposits	245	-
B04500	Acquisition of Intangible Assets	( 194)	-
B07100	Increase in prepayments for machinery and equipment	( <u>26,975</u> )	( <u>33,847</u> )
BBBB	Net cash used in investing activities	( <u>311,474</u> )	( <u>693,421</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C00100	Proceeds from short-term borrowings	220,000	150,000
C01600	Proceeds from long-term borrowings	390,520	350,520
C01700	Repayments of long-term borrowings	( 456,000)	( 264,680)
C04020	Repayment of the principal portion of lease liabilities	( 5,031)	( 5,257)
C04500	Dividends paid to owners of the Corporation	( 893,892)	( 774,706)
C09900	Overdue dividends	<u>36</u>	<u>10</u>
CCCC	Net cash generated used in financial activities	( <u>744,367</u> )	( <u>544,113</u> )
EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	2,090	122,754
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>310,602</u>	<u>187,848</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 312,692</u>	<u>\$ 310,602</u> (Concluded)

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei  
Cheng

Accounting Supervisor: Yao-Da  
Huang

# TAIWAN PAIHO LIMITED

## NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

TAIWAN PAIHO LIMITED (the “Corporation”) was incorporated in January 1985. It manufactures and sells touch fastener, webbing, shoelace, elastic, and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors.

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 dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 24, 2021.

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

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

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 did not have material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.



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**

##### **(1) Statement of compliance**

The 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.

##### **(2) Basis of preparation**

The 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.

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.

##### **(3) Classification of current and non-current assets and liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the Individual 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.

#### (4) 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 that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the Corporation and its foreign operations (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.

If the partial disposal of the foreign operating subsidiary does not result in the loss of control, the cumulative exchange difference is proportionally incorporated into the equity transaction calculation, but it is not recognized as profit or loss. In the case of any other partial disposal of foreign operating subsidiary, the accumulated exchange difference will be reclassified to profit and loss according to the proportion of the disposal.

(5) Inventories

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.

(6) Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Corporation.

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

(7) Property, plant, and equipment

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

Property, plant and equipment in the course of construction are measured 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 their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the 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.

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

(9) Impairment of property, plant, and equipment, right-of-use asset and intangible assets

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

#### (10) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at 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.

##### Financial assets

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

##### 1) Measurement categories

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:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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, refundable deposit and guarantee deposits received, 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:

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

A financial asset is credit impaired when one or more of the following events have occurred: Significant financial difficulty of the issuer or the borrower; Breach of contract, such as a default; It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or The disappearance of an active market for that financial asset because of financial difficulties.

## 2) Impairment of financial assets

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

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

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

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) 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.

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

### 3) Derecognition of financial assets

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

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## Financial liabilities

- 1) Subsequent measurement  
All the financial liabilities are carried at amortized cost using the effective interest method.
- 2) 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.

## (11) Revenue recognition

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

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

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location and the goods are shipped or 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.

## (12) Leasing

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

### 1) The Corporation as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

### 2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the Individual balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.



### (13) 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.

### (14) 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 Corporation 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 Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

### (15) 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.

## (16) Taxation

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

### 1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

### 2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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 Corporation takes the economic impact caused by the coronavirus epidemic into consideration for major accounting estimates. The management will continue to review the estimates and basic assumptions. If the revision of the estimate only affects the current year, it will be recognized in the same year; if the revision of the accounting estimate affects both the current year and future periods, it will be recognized in both periods.

**6. CASH AND CASH EQUIVALENTS**

	December 31	
	2020	2019
Petty cash and cash on hand	\$ 820	\$ 1,302
Checking accounts and demand deposits	<u>311,872</u>	<u>309,300</u>
	<u>\$ 312,692</u>	<u>\$ 310,602</u>
<u>Rate of interest per annum (%)</u>		
Deposits	0.00-0.50	0.00-2.02

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Restricted deposits	\$ 207,622	\$ 134,012
<u>Non-current</u>		
Time deposits with original maturities of more than 3 months	\$ 8,938	\$ 8,924
<u>Rate of interest per annum (%)</u>		
Restricted deposits	0.20	0.33-2.00
Time deposits with original maturities of more than 3 months	0.13-0.52	0.23-0.77

Restricted deposits - current are the Corporation's inward remittances of its overseas funds in the amount of \$395,431 thousand (US\$ 13,348 thousand) in 2020 and \$288,517 thousand (US\$ 9,232 thousand) in 2019, that was approved by the Ministry of Finance, according to "The Regulations on Industries Investment from Repatriated Offshore Funds". The Corporation also submitted investment plans to the Ministry of Economic Affairs for approval, and based on the regulations, the amount can only be used in the approved investment plans.

Refer to Note 24 for information relating to investments in financial assets at amortized cost pledged as security.

## 8. TRADE RECEIVABLES

	December 31	
	2020	2019
At amortized cost		
Gross carrying amounts	\$ 648,727	\$ 550,928
Less: Allowance for impairment loss	( 25,510)	( 22,944)
	\$ 623,217	\$ 527,984

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 approach to providing for expected credit losses, 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.

	<b>0 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>151 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
<b>December 31, 2020</b>						
Expected credit loss rate	0-4%	10%	30%	50-80%	70-100%	
Gross carrying amount	\$ 605,849	\$ 33,637	\$ 1,812	\$ 533	\$ 6,896	\$ 648,727
Loss allowance (Lifetime ECL)	( 14,750)	( 2,982)	( 544)	( 426)	( 6,808)	( 25,510)
Amortized cost	<u>\$ 591,099</u>	<u>\$ 30,655</u>	<u>\$ 1,268</u>	<u>\$ 107</u>	<u>\$ 88</u>	<u>\$ 623,217</u>
<b>December 31, 2019</b>						
Expected credit loss rate	0-4%	10%	30%	50-80%	70-100%	
Gross carrying amount	\$ 515,599	\$ 22,349	\$ 3,424	\$ 1,233	\$ 8,323	\$ 550,928
Loss allowance (Lifetime ECL)	( 11,029)	( 2,235)	( 1,027)	( 633)	( 8,020)	( 22,944)
Amortized cost	<u>\$ 504,570</u>	<u>\$ 20,114</u>	<u>\$ 2,397</u>	<u>\$ 600</u>	<u>\$ 303</u>	<u>\$ 527,984</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 22,944	\$ 32,358
Add (Less): Net remeasurement of loss allowance	<u>2,566</u>	<u>( 9,414)</u>
Balance at December 31	<u>\$ 25,510</u>	<u>\$ 22,944</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Finished goods	\$ 154,011	\$ 144,127
Work in process	60,823	49,515
Raw materials	129,624	142,438
Supplies	33,104	44,268
Inventory in transit	<u>5,649</u>	<u>3,253</u>
	<u>\$ 383,211</u>	<u>\$ 383,601</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was NT\$2,635,194 thousand and \$2,878,516 thousand, respectively. The cost of goods sold including loss for market price decline and obsolete and slow-moving inventories) of \$19,492 thousand and \$28,614 thousand for the years ended December 31, 2020 and 2019, respectively.

# 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
<u>Investments in associates</u>		
Paiho Int’L Limited	\$ 6,640,607	\$ 6,007,253
Vietnam Paiho Limited	1,254,174	1,142,142
Paiho Croup Inc.	843,303	865,550
PT. Paiho Indonesia	538,877	437,226
Paiho North America Corporation	179,967	187,830
Spring Rich Limited	5,280	5,029
	<u>\$ 9,462,208</u>	<u>\$ 8,645,030</u>

	Proportion of Ownership and Voting Rights	
	December 31, 2020	December 31, 2019
<u>Name of associate</u>		
Paiho Int’L Limited	100%	100%
Vietnam Paiho Limited	33%	33%
Paiho Croup Inc.	100%	100%
PT. Paiho Indonesia	99%	99%
Paiho North America Corporation	100%	100%
Spring Rich Limited	100%	100%

Refer to Table 11 and 12 for the information on investee structure for the years ended December 31, 2020 and 2019. 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, 2020 and 2019 were based on the subsidiaries’ financial statements for the same years which have been audited.

# 11. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 500,608	\$ 781	\$ -	\$ -	\$ 501,389
Buildings	1,136,951	21,858	( 6,533)	10,778	1,163,054
Machinery and equipment	1,563,956	42,056	( 261,008)	17,816	1,362,820
Transportation equipment	31,407	800	-	3,810	36,017
Miscellaneous equipment	38,888	-	( 17,435)	-	21,453
Construction in progress	337,891	129,044	-	( 10,343)	456,592
	<u>3,609,701</u>	<u>\$ 194,539</u>	<u>(\$ 284,976)</u>	<u>\$ 22,061</u>	<u>3,541,325</u>

(Continued)

For the Year Ended December 31, 2020					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Accumulated depreciation</u>					
Buildings	236,129	\$ 42,865	(\$ 4,757)	\$ -	274,237
Machinery and equipment	772,679	215,199	( 260,476)	-	727,402
Transportation equipment	6,722	5,152	-	-	11,874
Miscellaneous equipment	<u>18,955</u>	<u>4,045</u>	<u>( 14,480)</u>	<u>-</u>	<u>8,520</u>
	<u>1,034,485</u>	<u>\$ 267,261</u>	<u>(\$ 279,713)</u>	<u>\$ -</u>	<u>1,022,033</u>
Net property, plant and equipment	<u>\$ 2,575,216</u>				<u>\$ 2,519,292</u>

For the Year Ended December 31, 2019					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 490,048	\$ 10,701	(\$ 141)	\$ -	\$ 500,608
Buildings	866,018	29,261	( 1,452)	243,124	1,136,951
Machinery and equipment	1,543,923	38,967	( 84,213)	65,279	1,563,956
Transportation equipment	28,228	8,400	( 5,221)	-	31,407
Miscellaneous equipment	42,191	507	( 3,810)	-	38,888
Construction in progress	<u>226,459</u>	<u>354,366</u>	<u>-</u>	<u>( 242,934)</u>	<u>337,891</u>
	<u>3,196,867</u>	<u>\$ 442,202</u>	<u>(\$ 94,837)</u>	<u>\$ 65,469</u>	<u>3,609,701</u>

<u>Accumulated depreciation</u>					
Buildings	202,504	\$ 35,077	(\$ 1,452)	\$ -	236,129
Machinery and equipment	643,750	213,142	( 84,213)	-	772,679
Transportation equipment	6,948	4,566	( 4,792)	-	6,722
Miscellaneous equipment	<u>17,400</u>	<u>5,364</u>	<u>( 3,809)</u>	<u>-</u>	<u>18,955</u>
	<u>870,602</u>	<u>\$ 258,149</u>	<u>(\$ 94,266)</u>	<u>\$ -</u>	<u>1,034,485</u>
Net property, plant and equipment	<u>\$ 2,326,265</u>				<u>\$ 2,575,216</u>

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 Tiaoxing Section with area of 5,034 square meters (classified as freehold land with carrying value of NT\$42,634 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	3-16 years
Engineering system	5-20 years
Other	7-8 years
Machinery and equipment	2-16 years
Transportation equipment	6-10 years
Miscellaneous equipment	5-35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 24.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Buildings	\$ <u>30,292</u>	\$ <u>31,943</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	\$ <u>3,583</u>	\$ <u>1,706</u>
Depreciation charge for right-of-use assets		
Buildings	\$ <u>5,234</u>	\$ <u>5,550</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 3,644	\$ 4,130
Non-current	<u>26,950</u>	<u>27,912</u>
	\$ <u>30,594</u>	\$ <u>32,042</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	1.67%	1.67%



c. Material leasing activities and terms

As lessee, the Corporation leases certain buildings for the use of offices, employee dormitory and storage with lease terms of 1 to 33 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Other lease information

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 11,807	\$ 11,039
Expenses relating to low-value asset leases	\$ 1,244	\$ 344
Total cash outflow for leases	\$ 18,606	\$ 17,214

As lessee, the Corporation leases certain buildings for the use of offices, employee dormitory and storage with lease terms of 1 to 33 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

### 13. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Tax overpayment for offset with future tax payable	\$ 39,922	\$ 43,317
Prepayments	4,356	2,956
Prepaid expenses	1,939	2,504
Others	319	464
	<u>\$ 46,536</u>	<u>\$ 49,241</u>
<u>Non-current</u>		
Refundable deposits	\$ 9,173	\$ 9,418
Others	10,880	10,880
	<u>\$ 20,053</u>	<u>\$ 20,298</u>

### 14. BORROWINGS

a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Line of credit borrowings	\$ 550,000	\$ 330,000
Rate of interest per annum (%)	0.75-0.85	0.90-0.91

b. Long-term borrowings

	December 31	
	2020	2019
Secured loans - due in June 2022	\$ 766,220	\$ 1,121,700
Unsecured loans - due in February 2022 – October 2022	<u>740,000</u>	<u>450,000</u>
	1,506,220	1,571,700
Less: Current portions	( <u>481,000</u> )	( <u>556,000</u> )
Long-term borrowings	<u>\$ 1,025,220</u>	<u>\$ 1,015,700</u>

Rate of interest per annum (%)

Secured loans	1.79	1.09-1.79
Unsecured loans	0.74-0.85	0.79-0.85

Refer to Note 24 for the details of long-term borrowings secured by the Corporation's assets.

In December 2016, the Corporation obtained a syndicated loan from Bank of Taiwan and multiple financial institutions in the amount of NT\$1,300 million. Funds 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) In 2019, debt ratio to equity ratio (total liabilities ÷ net tangible assets): Not higher than 150%; In 2020, debt ratio to equity ratio (total liabilities – contract 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.

## 15. OTHER PAYABLES

	December 31	
	2020	2019
Payables for salaries and bonuses	\$ 174,876	\$ 171,268
Payables for compensation to employees and remuneration to directors	71,644	68,505
Payables for purchases of building and equipment	16,881	33,777
Payables for compensation of employees and remuneration of directors	18,138	17,356
Others	101,335	98,569
	<u>\$ 382,874</u>	<u>\$ 389,475</u>

## 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	
	2020	2019
Present value of defined benefit obligation	\$ 366,256	\$ 343,457
Fair value of plan assets	( 218,837 )	( 192,638 )
Net defined benefit liabilities	<u>\$ 147,419</u>	<u>\$ 150,819</u>

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, 2019	\$ 331,523	( \$ 179,581 )	\$ 151,942
Service cost			
Current service cost	3,069	-	3,069
Net interest expense (income)	3,225	( 1,724 )	1,501
Recognized in profit or loss	6,294	( 1,724 )	4,570
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 6,334 )	( 6,334 )
Actuarial loss - changes in demographic assumptions	17	-	17
Actuarial loss - changes in financial assumptions	\$ 9,008	\$ -	\$ 9,008
Actuarial loss - experience adjustments	6,879	-	6,879
Recognized in other comprehensive income	15,904	( 6,334 )	9,570
Contributions from the employer	-	( 15,263 )	( 15,263 )
Benefits paid	( 10,264 )	10,264	-
Balance at December 31, 2019	343,457	( 192,638 )	150,819
Service cost			
Current service cost	2,850	-	2,850
Plan curtailment effects	( 575 )	-	( 575 )
Net interest expense (income)	2,489	( 1,372 )	1,117
Recognized in profit or loss	4,764	( 1,372 )	3,392
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 6,435 )	( 6,435 )
Actuarial loss - changes in demographic assumptions	43	-	43
Actuarial loss - changes in financial assumptions	16,517	-	16,517
Actuarial loss - experience adjustments	6,879	-	6,879
Recognized in other comprehensive income	23,439	( 6,435 )	17,004
Contributions from the employer	-	( 23,796 )	( 23,796 )
Benefits paid	( 5,404 )	5,404	-
Balance at December 31, 2020	\$ 366,256	( \$ 218,837 )	\$ 147,419

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates	0.30%	0.75%
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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	( \$ 9,310 )	( \$ 9,009 )
0.25% decrease	\$ 9,693	\$ 9,390
Expected rate of salary increase		
0.25% increase	\$ 9,212	\$ 8,954
0.25% decrease	( \$ 8,897 )	( \$ 8,636 )

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 changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	\$ 3,821	\$ 3,675
Average duration of the defined benefit obligation	10 years	10 years

## 17. EQUITY

### a. Common stock

	December 31	
	2020	2019
Number of authorized shares (in thousands)	<u>380,000</u>	<u>380,000</u>
Amount of authorized capital	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
Number of issued and fully paid shares (in thousands)	<u>297,964</u>	<u>297,964</u>
Amount of issued and fully paid shares	<u>\$ 2,979,639</u>	<u>\$ 2,979,639</u>

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

### b. Capital surplus

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 dividends policy as set forth in the 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 an amount as 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 distribution is by issuing new shares, it should be resolved in the shareholders' meeting for the distribution of new shares to shareholders. According to Paragraph 5, Article 240 of the Company Act, dividends and bonuses could be distributed, in 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.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 18-c.

According to the Articles, 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.

The Corporation shall appropriate to or reverse from special reserve amounts of 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”.

The appropriations of earnings for 2019 and 2018 which have been approved in the shareholders’ meetings in June 10<sup>th</sup>, 2020 and June 12<sup>th</sup>, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 152,218	\$ 136,031
Special reserve	\$ 217,613	( \$ 1,301 )
Cash dividends	\$ 893,892	\$ 744,706
Cash dividends per share (NT\$)	\$ 3	\$ 2.6

The appropriations of earnings for 2020 had been proposed by the Corporation’s board of directors on March 24, 2021. The appropriations were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	\$ 153,010
Special reserve	\$ 123,855
Cash dividends	\$ 893,892
Cash dividends per share (NT\$)	\$ 3

The appropriations of earnings for 2020 are subject to the resolution in the shareholders’ meeting to be held on June 17, 2021.

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 19,635	\$ 22,075
Interest on lease liabilities	524	575
	<u>\$ 20,159</u>	<u>\$ 22,650</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest amount	\$ 6,772	\$ 5,859
Capitalization rates (%)	1.79	1.79

### b. Employee benefits expense, depreciation and amortization expenses

	<b>Operating Costs</b>	<b>Operating Expenses and Non-Operating Expenses</b>	<b>Total</b>
<u>For the Year Ended December 31, 2020</u>			
Short-term employee benefits			
Salaries	\$ 417,877	\$ 255,323	\$ 673,200
Insurance	35,381	20,944	56,325
Remuneration of directors	-	20,399	20,399
Post-employment benefits			
Defined contribution plans	12,493	8,766	21,259
Defined benefit plans (Note 16)	1,689	1,703	3,392
Other employee benefits	13,145	6,999	20,144
Depreciation expenses	214,980	57,515	272,495
Amortization expenses		5	5
<u>For the Year Ended December 31, 2019</u>			
Short-term employee benefits			
Salaries	426,278	236,383	662,661
Insurance	33,693	19,868	53,561
Remuneration of directors	-	20,585	20,585
Post-employment benefits			
Defined contribution plans	11,732	9,524	21,256
Defined benefit plans (Note 16)	2,024	2,546	4,570
Other employee benefits	15,579	7,670	23,249
Depreciation expenses	203,096	60,603	263,699



As of year 2020 and 2019, the Corporation had 996 and 1,019 employees, respectively, and 4 and 7 directors who were not employees, respectively. The head counts were the same as those used as basis in the calculation of employee benefit expense.

As of year 2020 and 2019, the average of employee benefits expenses were \$781 and \$756 thousand, respectively; as of year 2020 and 2019, the average of employee salaries were \$679 and \$655 thousand, respectively, and the change of the average employee salaries was 4%.

The Corporation established an audit committee to replace the supervisor.

The remuneration of the board of directors of the Corporation is paid in accordance with the “Directors’ Remuneration Payment Method” of the Corporation. After the end of the current period, the remuneration is calculated with the above mentioned method by the Salary and Remuneration Committee and is reported the shareholders’ meeting after the resolution of the board of directors. If the directors are also employees, they shall be paid according to the following regulation.

The remuneration standards of the managers are determined by the Corporation’s Human Resources Department in accordance with the individual performance evaluated with the regulation of personnel performance appraisal and the overall contribution to the Corporation, subjecting to review by the Salary and Remuneration Committee and resolution of the board of directors.

The remuneration for the Corporation’s staff (excluding the board of directors and managers) is calculated based on the job content, personnel performance, and the Corporation’s operating performance. The composition of salary mainly includes basic salary, position and special bonus, employee’s compensation (dividend) and employee benefits. Basic salary and position bonus are determined with references to general salary of each position in the same industry market. Special bonus is calculated and distributed based on the department and employee performance. Employee’s compensation (dividend) is based on the personnel performance and the Corporation’s operating performance. Employee’s benefits are designed in accordance with local customs and laws, and the Corporation’s affordability.

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, 2020 and 2019, which were approved by the Corporation’s board of directors on March 24, 2021 and March 19, 2020, respectively, are as follows:

<b>Cash</b>	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
Employees' compensation	1.44%	\$ 27,288	1.42%	\$ 26,767
Remuneration of directors	0.93%	17,589	0.92%	17,254

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.

The actual amounts of the employees' compensation and remuneration of directors paid for 2019 and 2018 differ from the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2020 and 2019, respectively.

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors and Supervisors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors and Supervisors</b>
Amounts resolved in the board of directors	<u>\$ 26,767</u>	<u>\$ 17,254</u>	<u>\$ 23,920</u>	<u>\$ 15,419</u>
Amounts recognized in the financial statements	<u>\$ 27,110</u>	<u>\$ 17,475</u>	<u>\$ 23,641</u>	<u>\$ 15,239</u>

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the TWSE.

d. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 14,257	\$ 26,377
Foreign exchange losses	( 53,955)	( 46,780)
Loss	( \$ 39,698)	( \$ 20,403)

## 19. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 145,265	\$ 200,790
Income tax on unappropriated earnings	7,915	22,613
Adjustments for prior years	<u>6,400</u>	<u>318</u>
	159,580	223,721
Deferred tax		
In respect of the current year	<u>138,668</u>	<u>91,851</u>
Income tax expense recognized in profit or loss	<u>\$ 298,248</u>	<u>\$ 315,572</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income tax expense calculated at the statutory rate	\$ 370,010	\$ 367,551
Nondeductible expenses in determining taxable income	563	481
Tax-free income	( 6,555 )	-
Temporary difference	( 32,396 )	( 40,457 )
Income tax on unappropriated earnings	7,915	22,613
Adjustments for prior years' tax	6,400	318
Tax cut on repatriated funds	( <u>47,689</u> )	( <u>34,934</u> )
Income tax expense recognized in profit or loss	<u>\$ 298,248</u>	<u>\$ 315,572</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	(\$ 3,401)	(\$ 1,914)
Translation of foreign operations	( 23,475)	( 54,276)
	<u>(\$ 26,876)</u>	<u>(\$ 56,190)</u>

c. Income tax recognized in other comprehensive income

Deferred tax assets and liabilities were as follows:

	<b>For the Year Ended December 31, 2020</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 30,261	(\$ 4,075)	\$ 3,401	\$ 29,587
Allowance for inventory value decline	26,855	2,791	-	29,646
Profit from associates	17,058	( 4,140)	-	12,918
Exchange difference on foreign operations	60,971	-	23,475	84,446
Unrealized foreign currency exchange loss	3,188	2,122	-	5,310
Doubtful debts	4,265	137	-	4,402
	<u>\$ 142,598</u>	<u>(\$ 3,165)</u>	<u>\$ 26,876</u>	<u>\$ 166,309</u>

Deferred tax liabilities

Temporary differences				
Unappropriated earnings of subsidiaries	\$ 901,528	\$ 135,503	\$ -	\$ 1,037,031

**For the Year Ended December 31, 2019**

Deferred tax assets

Temporary differences				
Defined benefit obligation	\$ 30,484	(\$ 2,137)	\$ 1,914	\$ 30,261
Allowance for inventory value decline	22,834	4,021	-	26,855
Profit from associates	11,214	5,844	-	17,058
				(Continued)

For the Year Ended December 31, 2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Exchange difference on foreign operations	6,695	-	54,276	60,971
Unrealized foreign currency exchange loss	-	3,188	-	3,188
Doubtful debts	6,073	(1,808)	-	4,265
	<u>\$ 77,300</u>	<u>\$ 9,108</u>	<u>\$ 56,190</u>	<u>\$ 142,598</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries	\$ 799,418	\$ 102,110	\$ -	\$ 901,528
Unrealized foreign currency exchange gain	1,151	(1,151)	-	-
	<u>\$ 800,569</u>	<u>\$ 100,959</u>	<u>\$ -</u>	<u>\$ 901,528</u>

d. Income tax assessments

As of through 2018, the income tax returns of the Corporation (except for the year 2017) has been examined and cleared 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\$)
<u>For the Year Ended December 31, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,551,805	297,964	<u>\$ 5.21</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	482	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,551,805</u>	<u>298,446</u>	<u>\$ 5.20</u>

(Continued)

	<b>Net profit Attributable to Owners of the Corporation</b>	<b>Number of Shares (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the Year Ended December 31, 2019</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,522,184	297,964	<u>\$ 5.11</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>378</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,522,184</u>	<u>298,342</u>	<u>\$ 5.10</u>

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. 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 attributable to owners 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 share issued or repurchased, and the amount of new debt issued or existing debt redeemed.

## 22. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,321,861	\$ 1,061,203
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,677,308	2,534,347

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

### 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. 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 of 1% is used when reporting foreign currency risk internally to key management personnel and represents 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.

	<b>Currency Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	\$ 6,757	\$ 7,174
RMB	827	453

The Corporation's exposure 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 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 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Short-term borrowings	\$ 550,000	\$ 330,000
Cash flow interest rate risk		
Long-term borrowings (including current portion)	1,506,220	1,571,700



### Sensitivity analysis

The sensitivity analysis below was based on the Corporation's exposure to interest rates of 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 was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/ increased by \$3,766 thousand and \$3,929 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 are 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, 2020 and 2019, the Corporation had available unutilized bank loan facilities of \$2,234,200 thousand and \$2,472,700 thousand, respectively.

### Liquidity and interest rate risk table for non-derivative 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, including both interest and principal cash flows.

<b>non-derivative financial liabilities</b>	<b>Less Than 3 months</b>	<b>3 months - 1 Year</b>	<b>Over 1 Year</b>
<u>December 31, 2020</u>			
Non-interest bearing	\$ 525,602	\$ 95,456	\$ 30
Lease liabilities	1,017	3,109	33,223
Short-term bank loan	550,000	-	-
Long-term bank loan	91,000	390,000	1,025,220
	<u>\$ 1,167,619</u>	<u>\$ 488,565</u>	<u>\$ 1,058,473</u>

<u>December 31, 2019</u>			
Non-interest bearing	\$ 512,710	\$ 119,907	\$ 30
Lease liabilities	1,401	3,228	34,626
Short-term bank loan	330,000	-	-
Long-term bank loan	69,920	486,080	1,015,700
	<u>\$ 914,031</u>	<u>\$ 609,215</u>	<u>\$ 1,050,356</u>

Lease liabilities that are not yet overdue at the end of the year were as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 4,126</u>	<u>\$ 8,263</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$10,560</u>
<u>December 31, 2019</u>						
Lease liabilities	<u>\$ 4,629</u>	<u>\$ 8,231</u>	<u>\$ 5,275</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$11,520</u>

## 23. 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

<u>Related Party</u>	<u>Relationship with the Group</u>
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
Paiho Holdings Limited	Subsidiaries
He Mei Xing Ye Company Ltd.	Subsidiaries
Wuxi Paisen Chemical Fibre Co., Ltd.	Subsidiaries
Taiwan Pai Lon Biotechnology Co., Ltd	Subsidiaries
Cheng Tsung Investment Ltd.	Other related parties
A-Wei Chen Cheng	Other related parties
Cheng-Tsung Cheng	Other related parties
Huan-Tung Tseng	Other related parties
Mei-Ting Yang	Other related parties
Kuo-Chih Lai	Other related parties
Po-Hsun Huang	Other related parties

### b. Sales of goods

<u>Related Parties Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Fellow subsidiaries		
Vietnam Paiho Limited	\$ 473,626	\$ 647,873
Others	<u>369,805</u>	<u>414,245</u>
	<u>\$ 843,431</u>	<u>\$ 1,062,118</u>

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

<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ <u>81,832</u>	\$ <u>72,062</u>

The purchasing prices are according to the market price and the terms of payment are about three months.

d. Non operating income other income

<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fellow subsidiaries		
PT. Paiho Indonesia	\$ 9,221	\$ 9,447
Vietnam Paiho Limited	7,626	7,948
Others	<u>246</u>	<u>235</u>
	\$ <u>17,093</u>	\$ <u>17,630</u>

The non-operating income consisted of fee income from endorsements and guarantees for subsidiaries and service income.

e. Receivable from related parties (excluding loans to related parties)

<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fellow subsidiaries		
Vietnam Paiho Limited	\$ 43,598	\$ 66,105
Others	<u>128,074</u>	<u>80,848</u>
	\$ <u>171,672</u>	\$ <u>146,953</u>

f. Payable to related parties (excluding loans from related parties)

<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ <u>12,924</u>	\$ <u>11,759</u>

g. Other receivables

<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fellow subsidiaries		
Dongguan Paiho Powder Coating Co., Ltd.	\$ 3,394	\$ 1,880
Vietnam Paiho Limited	2,429	4,421
PT. Paiho Indonesia	2,246	1,554
China Star International Limited	1,181	2,227
Other	1,032	696
	<u>\$ 10,282</u>	<u>\$ 10,778</u>

The other receivables were mainly advanced payments.

h. Temporary receipts (classified as other current assets)

<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fellow subsidiaries		
Vietnam Paiho Limited	\$ 30,310	\$ 23,744
Pai Lon International Trading Limited	12,289	2,695
	<u>\$ 42,599</u>	<u>\$ 26,439</u>

The temporary receipts were collections for subsidiaries.

i. Acquisitions of property, plant and equipment

<b>Related Parties Category/Name</b>	<b>Purchase Price (Including tax)</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ 1,384	\$ -
Other related parties	-	8,400
	<u>\$ 1,384</u>	<u>\$ 8,400</u>

j. Lease arrangements

<b>Line Item</b>	<b>Related Parties Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Lease liabilities	Others related parties	<u>\$ 23,206</u>	<u>\$ 23,894</u>

<u>Related Parties Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Interest expense</u>		
Others related parties	\$ <u>394</u>	\$ <u>409</u>
<u>Lease expense (included in cost of goods sold and operating expense)</u>		
Others related parties	\$ <u>1,236</u>	\$ <u>1,236</u>

The rental rate is based on the rental in the neighboring area, and is subject to agreement between the parties.

- k. Endorsements and guarantees  
Refer to Table 2.

- l. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 56,457	\$ 63,109
Post-employment benefits	<u>460</u>	<u>437</u>
	\$ <u>56,917</u>	\$ <u>63,546</u>

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

## **24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for long-term borrowings, guarantees, and power company:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets at amortized cost	\$ 8,938	\$ 8,924
Property, plant and equipment	<u>632,764</u>	<u>647,055</u>
	\$ <u>641,702</u>	\$ <u>655,979</u>

## **25. 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, 2020 and 2019 were as follows:

### **a. Unrecognized commitments**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Acquisition of property, plant and equipment	\$ 427,885	\$ 331,215

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.

## **26. OTHERS**

Affected by the coronavirus epidemic, the Corporation experienced a sharp decline in the global sales of sports and leisure footwear and apparel end products. The Corporation’s sale of main and auxiliary materials and accessories declined in the year of 2020. In response to the impact of coronavirus epidemic, the Corporation applied subsidies for employee’s salary and working capital to the government, acquiring a total of \$32,772 thousand.

## 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, 2020			December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 23,726	28.480	\$ 675,712	\$ 23,931	29.980	\$ 717,440
RMB	18,892	4.377	82,688	10,513	4.305	45,256
Non-monetary items						
Investment accounted for using the equity method						
USD	332,055	28.480	9,456,928	288,192	29.980	8,640,001

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

	For the Year Ended December 31			
	2020		2019	
	Foreign Currencies	Exchange Rate	Exchange Rate	Net Foreign Exchange Gain and Loss
USD		28.480	29.980	(\$ 6,623)
RMB		4.377	4.305	(408)
				(\$ 3,887)
				(\$ 7,031)

## 28. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and reinvestment businesses.
  - 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)

c. 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. (Tables 6)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 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. (Tables 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)

d. Information on major shareholders

The list of all shareholders with ownership of 5 percent or greater (Table 10)

TABLE 1

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Notes 4 and 6)	Ending Balance (Notes 5 and 6)	Actual Borrowing Amount (Notes 5 and 8)	Interest Rate	Nature of Financing (Note 7)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1, 2, and 3)	Aggregate Financing Limits (Note 1, 2, and 3)
													Item	Value		
1	Paiho Int'L Limited	Vietnam Paiho Limited	Receivables from related parties	Yes	\$ 614,825 (USD 20,333)	\$ 439,067 (USD 15,417)	\$ 439,067 (USD 15,417)	2%-3%	Necessary for long-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 6,200,262	\$ 6,200,262
		PT. Paiho Indonesia	Receivables from related parties	Yes	154,335 (USD 5,000)	85,440 (USD 3,000)	85,440 (USD 3,000)	3%	Necessary for long-term financing	-	Operating capital	-	—	-	6,200,262	6,200,262
2	Dongguan Paihong Industry Co., Ltd.	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Yes	611,968 (RMB 140,000)	-	-	4.7%	Necessary for short-term financing	-	Operating capital	-	—	-	3,300,912	3,300,912
3	Wuxi Paiho Textile Co., Limited	Wuxi Paiwei Biotechnology Co. Ltd.	Receivables from related parties	Yes	172,020 (RMB 40,000)	175,080 (RMB 40,000)	131,310 (RMB 30,000)	4.35%-4.7%	Necessary for short-term financing	-	Operating capital	-	—	-	1,374,582	2,749,165
		Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Yes	610,342 (RMB 140,000)	-	-	4.35%-4.7%	Necessary for short-term financing	-	Operating capital	-	—	-	1,374,582	2,749,165
4	Paiho Shih Holdings Corporation	Hon Shin Corp.	Receivables from related parties	Yes	142,550 (USD 5,000)	142,400 (USD 5,000)	142,400 (USD 5,000)	3-month USD Libor rate, plus 1.28%	Necessary for short-term financing	-	Operating capital	-	—	-	2,037,162	2,037,162
		Vietnam Paihong Limited Company	Receivables from related parties	Yes	1,357,228 (USD 45,500)	1,153,440 (USD 40,500)	1,153,440 (USD 40,500)	3-month USD Libor rate, plus 1.28%	Necessary for short-term financing	-	Operating capital	-	—	-	2,037,162	2,037,162
5	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivables from related parties	Yes	997,985 (USD 32,875)	636,172 (USD 22,338)	636,172 (USD 22,338)	3-month USD Libor rate, plus 1.28% and 2.25%	Necessary for long-term and short-term financing	-	Operating capital	-	—	-	1,185,851	1,185,851

Note 1: The individual amount for lending to a company shall not exceed the 20% of borrowers' paid-in capital and net worth, except that lending to foreign companies whose voting shares are 100% owned, directly or indirectly by the lender or the Corporation shall not exceed 50% of borrowers' paid-in capital. The total amount for lending shall not exceed 40% of the net worth of lender.

Note 2: The individual and total amount for lending shall not exceed 40% of the net worth of lender to the companies whose voting shares are 100% owned, directly or indirectly by the lender or the Corporation.

Note 3: 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 the 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 4: The highest balance for the period in New Taiwan Dollars was calculated by multiplying the month in which the highest foreign currency balance occurred by the exchange rate of the new Taiwan Dollars on the day of occurrence.

Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Note 6: The ending balance amount has been approved by the board of directors.

Note 7: 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 Corporation holds, directly or indirectly, 100% of the voting shares.

TABLE 2

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(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 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 5)	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										
0	The Corporation	Paiho Int'L Limited	(Note 1)	\$ 9,413,553	\$ 181,590 (USD 6,000)	\$ 85,440 (USD 3,000)	\$ -	\$ -	0.91%	\$ 14,120,330	Y	—	—
		Zhong Yuan Xing Ye Company Ltd.	(Note 1)	9,413,553	239,130 (USD 8,000)	85,440 (USD 3,000)	-	-	0.91%	14,120,330	Y	—	—
		PT. Paiho Indonesia	(Note 1)	9,413,553	2,494,495 (USD 84,000)	2,249,920 (USD 79,000)	1,013,888 (USD 35,600)	-	23.90%	14,120,330	Y	—	—
		He Mei Xing Ye Company Ltd.	(Note 1)	9,413,553	62,800 (USD 2,000)	-	-	-	-	14,120,330	Y	—	—
1	Paiho Shih Holdings Corporation	Hon Shin Corp.	(Note 1)	5,092,904	3,341,350 (USD 102,000) (EUR 8,000)	2,363,840 (USD 83,000)	811,680 (USD 28,500)	-	46.41%	7,639,356	—	—	—
		Vietnam Paihong Limited Company	(Note 1)	5,092,904	3,688,687 (USD 123,000)	2,815,248 (USD 98,850)	2,217,168 (USD 77,850)	-	55.28%	7,639,356	—	—	—
		Dongguan Paihong Industry Co., Ltd.	(Note 1)	5,092,904	157,000 (USD 5,000)	-	-	-	-	7,639,356	—	—	Y
2	Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 1)	1,185,851	60,160 (USD 2,000)	56,960 (USD 2,000)	-	-	4.80%	1,778,776	—	—	—

Note 1: The relationship between the endorser and endorsee is that the endorser holds 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, Paiho Shih Holdings Corporation and Hon Shin 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, Paiho Shih Holdings Corporation and Hon Shin Corporation.

Note 4: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars in the exchange rate of the month declared.

TABLE 3

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars or Foreign Currency)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units Note (In Thousands)	Carrying Value (Note 1 & 2)	Percentage of Ownership (%)	Fair Value (Note 1 & 2)	
Paiho Holdings Limited	<u>Stock right</u> Leader Elastic Limited	—	Financial assets at fair value through other comprehensive income - non current	7,500,000	\$ -	14.29%	\$ -	
Wuxi Paisen Chemical Fibre Co., Ltd.	<u>Finalcial products</u> Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	148,055 (RMB 33,920)	-	148,055 (RMB 33,920)	
Dongguan Paiho Textile Limited	<u>Finalcial products</u> Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	32,256 (RMB 7,390)	-	32,256 (RMB 7,390)	
Dongguan Paihong Industry Co., Ltd.	<u>Finalcial products</u> Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	266,852 (RMB 60,950)	-	266,852 (RMB 60,950)	
	Bank SinoPac - Structured deposit of RMB (capital guaranteed)	—	Financial assets at fair value through other comprehensive income - current	-	197,019 (RMB 45,000)	-	197,019 (RMB 45,000)	

Note: 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, 2020  
 (In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount
Wuxi Paihong Real Estate Co., Ltd.	<u>Financial products</u>													
	Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	Financial assets at fair value through other comprehensive income - current	—	—	-	\$		\$ 512,251 (RMB 117,000)		\$ 512,251 (RMB 117,000)	\$ 512,251 (RMB 117,000)	\$ -	-	\$ -
Wuxi Paiho Textile Co., Limited	<u>Financial products</u>													
	Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	Financial assets at fair value through other comprehensive income - current	—	—	-			576,785 (RMB 131,740)		576,785 (RMB 131,740)	576,785 (RMB 131,740)	-	-	-
Dongguan Paihong Industry Co., Ltd.	<u>Financial products</u>													
	Fubon Bank (China) – Monthly Structured deposit of RMB (capital guaranteed)	Financial assets at fair value through other comprehensive income - current	—	—	-			531,777 (RMB 121,460)		264,925 (RMB 60,510)	264,925 (RMB 60,510)	-	-	266,852 (RMB 60,950)

Note: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

TABLE 5

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, 2020  
 (In Thousands of New Taiwan Dollars or 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			
The Corporation	Commercial building	From January 25, 2019 to November 19, 2020	\$ 545,643	As for December 31, 2020 \$392,194 has been paid	True dreams Construction Co., Ltd.	—	—	—	—	\$	Refer to market price and set out by mutual agreement	Operating purpose	—

Note: The amount of transactions is according to the contracts.

TABLE 6

## 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, 2020  
 (In Thousands of New Taiwan Dollars or Foreign Currency)

Buyer/Seller	Related Party (Note 2)	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	\$ 473,626	( 12% )	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	\$ 43,598	5%
	Wuxi Paiho Textile Co., Limited	Note 1	Sale	136,008	( 4% )	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	37,831	5%
Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	Note 1	Sale	126,471 (USD 4,280)	( 100% )	About 3 months	Quoted at cost plus 15% or according to market price	About 3 months	21,018 (USD 738)	100%
Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd.	Note 1	Sale	288,555 (USD 9,765)	( 37% )	About 3 months	Use market price or purchase cost plus 17% of Pai Lon International Trading Limited	About 3 months	72,440 (USD 2,544)	49%
	Wuxi Paiho Textile Co., Limited	Note 1	Sale	106,019 (USD 3,588)	( 14% )	About 3 months	Use market price or purchase cost plus 17% of Pai Lon International Trading Limited	About 3 months	7,284 (USD 256)	5%
Wuxi Paiho Textile Co., Limited	Pai Lon International Trading Limited	Note 1	Sale	245,289 (RMB 57,286)	( 12% )	About 3 months	Use market price or 88% sales price of Pai Lon International Trading Limited	About 3 months	6,272 (RMB 1,433)	1%
Vietnam Paihong Limited Company	Hon Shin Corp.	Note 1	Sale	243,104 (USD 8,227)	( 85% )	About 3 months	Use market price	About 3 months	88,220 (USD 3,098)	83%

Note: See Note 10 and 23 to the individual financial statements.

TABLE 7

## 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, 2020

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party (Note 3)	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	Vietnam Paiho Limited	Note 2	\$ 439,067 (USD 15,417 )	-	\$ -	—	\$ -	\$ -
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	Note 2	1,156,264 (USD 40,599 )	-	-	—	2,225 (USD 78)	-
	Hon Shin Corp.	Note 2	153,720 (USD 5,397 )	-	-	—	-	-
Dongguan Paihong Industry Co., Ltd. Hon Shin Corp.	Pai Lon International Trading Limited	Note 2	171,190 (RMB 39,111 )	0.42	-	—	171,190 (RMB 39,111)	-
	Vietnam Paihong Limited Company	Note 2	660,482 (USD 23,191 )	1.56	-	—	37,508 (USD 1,317)	-

Note 1: Including trade receivables, other receivables and receivables from related party.

Note 2: See Note 10 and 23 to the individual financial statements.



TABLE 8

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company (Note 3)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount (Note 3)			
The Corporation	Paiho Int’L Limited	British Virgin Islands	International investment	\$ 1,107,261	\$ 1,107,261	33,368,564	100%	\$ 6,640,607	\$ 783,446	\$ 819,221	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	843,303	34,072	33,398	Subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	538,877	128,531	127,246	Subsidiary
	Paiho North America Corporation	California	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	179,967	( 3,567 )	( 3,567 )	Subsidiary
	Spring Rich Limited	Taiwan Changhua	Extra processing of webbings	3,000	3,000	-	100%	5,280	251	251	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City of Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	358,776	246,620	-	33%	1,254,174	784,058	258,634	Sub-subsubsidiary
Paiho Int’L Limited	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	162,632,396	52%	2,851,497	583,357	Note 1	Sub-subsubsidiary
	He Mei Xing Ye Company Ltd.	British Samoa	International investment	USD 16,263	USD 16,263	23,636,140	100%	2,564,807	525,570	Note 1	Sub-subsubsidiary
	Zhong Yuan Xing Ye Company Ltd.	British Samoa	International trading	USD 3,760	USD 3,760	3,760,000	100%	( 551 )	( 18,876 )	Note 1	Sub-subsubsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	USD 180	USD 180	1,800	1%	5,443	128,531	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	773,954	546,856	-	67%	2,564,807	784,058	Note 1	Sub-subsubsidiary
Paiho Shih Holdings Corporation	Hong Kong Antex Limited	Hong Kong	International investment	USD 54,335	USD 54,335	54,334,644	100%	7,486,939	1,084,903	Note 1	Sub-subsubsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD 1,791	USD 1,791	1,500,000	100%	( 105,598 )	( 22,794 )	Note 1	Sub-subsubsidiary
	Hon Shin Corp.	British Samoa	International investment & trading	USD 95,000	USD 95,000	95,000,000	100%	1,094,697	( 571,317 )	Note 1	Sub-subsubsidiary
	Taiwan Pai Lon Biotechnology Co. Ltd.	Taiwan	Production and sales of masks and non-woven products	60,000	-	60,000,000	100%	59,766	( 213 )	Note 1	Sub-subsubsidiary
Paiho Group Inc.	Paiho Holdings Limited	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	844,573	34,073	Note 1	Sub-subsubsidiary
Paiho Holdings Limited	Braits Company Limited	British Virgin Islands	International investment	562,498	562,498	16,601,385	100%	535,450	39,380	Note 1	Sub-subsubsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong Province, Vietnam	Production & marketing of mesh and other fabrics	USD 95,000	USD 95,000	-	100%	1,340,708	( 537,473 )	Note 1	Sub-subsubsidiary

Note 1: Not applicable.

Note 2: Information on investment in mainland China, is on Table 9.

TABLE 9

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars or 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	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, 2020 (Notes 5 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Dongguan Paiho Textile Limited	Production & marketing of touch fasteners, elastics, various type of webbings and computerizes embroidery	\$ 150,878 (RMB 34,471)	(Note 1)	\$ -	\$	\$	\$ -	(\$ 3,553)	100%	(\$ 3,553)	\$ 154,608	\$ 1,214,739
Wuxi Paiho Textile Co., Limited	Processing of touch fastener, webbing and embroidery	1,683,360 (RMB 384,592)	(Note 1)	985,180			985,180	1,035,344	55%	568,300	4,013,713	320,508
China Star International Limited	Production & marketing of powder coating	180,305 (RMB 41,194)	(Note 1)	201,922			201,922	( 4,290 )	100%	( 4,290 )	246,993	337,582
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	180,105 (RMB 41,148)	(Note 1)	35,720			35,720	12,928	100%	12,928	226,352	40,077
Wuxi Paisem Chemical Fibre Co., Ltd.	Production & marketing of chemical fiber	578,581 (RMB 132,187)	(Note 1)	564,691			564,691	39,380	100%	39,380	535,450	-
Dongguan Paihong Industry Co., Ltd.	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	1,563,004 (RMB 357,095)	(Note 1)	141,664			141,664	534,344	54%	286,806	1,873,207	156,170
Wuxi Paihong Real Estate Co., Ltd.	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.	1,663,260 (RMB 380,000)	(Note 1)	(Note 2)			-	361,125	55%	198,195	1,282,605	-
Wuxi Paiwei Biotechnology Co. Ltd.	Production and sales of masks and non-woven products	218,850 (RMB 50,000)	(Note 1)	(Note 2)			-	27,667	55%	15,185	124,153	-

Accumulated Outward Remittance for Investment in Main land China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 352,831	\$ 565,356 ( USD 19,851 )	No maximum limitation (Note 3)

Note 1: See Note 11 to the individual 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.

**TABLE 10****TAIWAN PAIHO LIMITED****INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

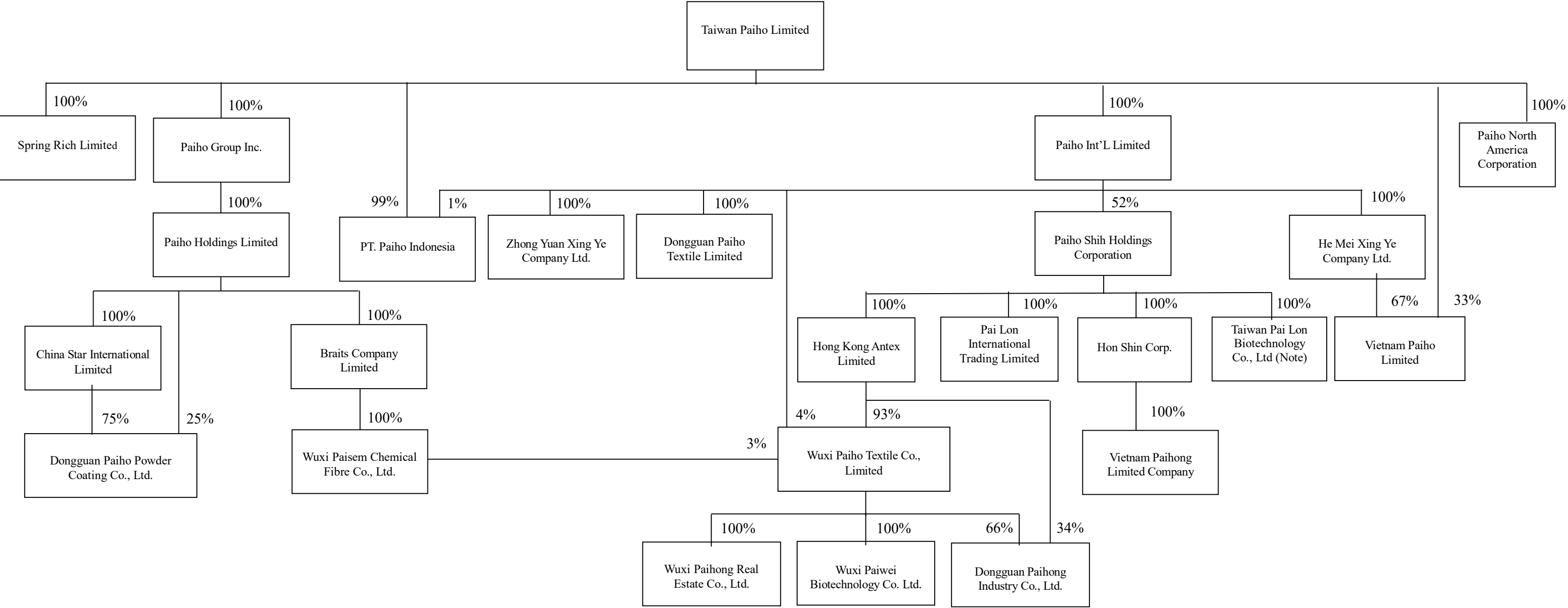
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Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Fubon Life Assurance Co.,LTD	23,363,000	7.84%

Note: Major shareholders shows the list of all shareholders with ownership of 5 percent or greater (including treasury shares) based on the last business day at the end of the current quarter. The share capital recorded in the company's Individual financial statements and the actual number of shares delivered without physical registration may be different due to different calculation basis.

TAIWAN PAIHO LIMITED

TRANSFER INVESTMENT STRUCTURE  
FOR THE YEAR ENDED DECEMBER 31, 2020



Note: Taiwan Pai Lon Biotechnology Co., Ltd was established in September, 2020.

6.6 If the Company or Its Affiliates have Experienced Financial Difficulties in the Recent Year and Up to the Annual Report Publication Date, the Annual Report shall Explain How Said Difficulties will Affect the Company's Financial Situation: None.

## VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status - Consolidated Financial Statements

Unit: NT\$ thousands

Item	2020	2019	Amount	%
Current Assets	\$16,535,950	\$11,933,416	\$ 4,602,534	39
Property, Plant and Equipment	12,607,349	12,761,335	( 153,986)	( 1)
Intangible Assets	207,055	220,887	( 13,832)	( 6)
Other Assets	2,392,033	2,711,667	( 319,634)	( 12)
Total Assets	31,742,387	27,627,305	4,115,082	15
Current Liabilities	11,747,069	10,051,534	1,695,535	17
Non-current Liabilities	7,541,330	5,908,680	1,632,650	28
Total Liabilities	19,288,399	15,960,214	3,328,185	21
Equity Attributable to Owners of the Corporation				
Capital Stock	2,979,639	2,979,639	0	0
Capital Surplus	727,926	727,890	36	0
Retained Earnings	6,673,718	6,037,507	636,211	11
Other Equity	( 572,198)	( 448,343)	( 123,855)	28
Treasury Stock	0	0	0	0
Non-controlling Interest	2,644,903	2,370,398	274,505	12
Total Equity	12,453,988	11,667,091	786,897	7

Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:

1. Current assets increased mainly due to the increase of profit and the increase of advance payment for the construction project. Part of the idle cash was also used to purchase wealth management products issued by banks and part of the advance payment for property was deposited in the special account as required, to the extent that current assets such as cash and cash equivalents, financial asset at fair value through income statement, and financial assets at amortized cost increased.
2. Noncurrent liabilities increased mainly due to the continued expansion of production capacity and equipment at all operation locations in 2020 settled by mid-term payment, to the extent that long-term bank loans increased. The continued profitability from direct investment overseas that resulted in the recognition of deferred income tax liabilities also contributed to the increase.
3. Total liabilities increased mainly due to the increase of contractual liabilities (advance payment for property) and the increase of noncurrent liabilities at the end of 2020.
4. Other equity decreased mainly due to the continued appreciation of TWD in 2020, to the extent that exchange loss result from the conversion of the financial statements of foreign operations to local currency.

## 7.2 Financial Performance

### 7.2.1 Analysis of Financial Performance – Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference		Remark
			Amount	%	
Net Sales	\$14,645,277	\$15,299,654	(\$ 654,377)	( 4)	
Cost of Goods Sold	<u>9,269,352</u>	<u>9,831,767</u>	<u>( 562,415)</u>	( 6)	
Gross Profit	5,375,925	5,467,887	( 91,962)	( 2)	
Operating Expenses	<u>2,566,893</u>	<u>2,709,298</u>	<u>( 142,405)</u>	( 5)	
Profit from Operations	2,809,032	2,758,589	50,443	2	
Non-Operating Income and Expenses	<u>( 125,450)</u>	<u>( 222,160)</u>	<u>96,710</u>	( 44)	1
Profit before Income Tax	2,683,582	2,536,429	147,153	6	
Income Tax Expense	<u>883,147</u>	<u>840,389</u>	<u>42,758</u>	5	
Net Profit	<u>1,800,435</u>	<u>1,696,040</u>	<u>104,395</u>	6	
Other Comprehensive loss for the Year, Net of Income Tax	<u>( 28,125)</u>	<u>( 326,253)</u>	<u>298,128</u>	( 91)	2
Total Comprehensive Income for the Year	<u>\$ 1,772,310</u>	<u>\$ 1,369,787</u>	<u>\$ 402,523</u>	29	3

Analysis of changes in ratio:

1. Non-operating income and expense decreased mainly due to the downward adjustment of interest rate for bank loans, to the extent that interest expense decreased. Revenue from government subsidy also helped to bring in income.
2. Other comprehensive loss decreased in the current period mainly due to the exchange gain from the conversion of financial statements of foreign operations to local currency. It was exchange loss in 2019.
3. Comprehensive income increased in the current year mainly because the increase of profit in 2020 and the increase of exchange gain from conversion of financial statements of foreign operations to local currency as compared with the same period of 2019.

7.2.2 Analysis of Changes in Gross Profit: Not applicable.

## 7.3 Consolidated Cash Flow

### 7.3.1 Analysis of Cash Flow in 2020

Unit: NT\$ thousands

Cash and Cash Equivalents at the Beginning of 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 and Cash Equivalents Held in Foreign Currencies	Cash and Cash Equivalents at the End of the Year
3,282,789	5,256,659	( 2,036,955)	(566,473)	52,561	5,988,581
<p>Analysis of flow change:</p> <ol style="list-style-type: none"> <li>1. Net cash inflow from operating activities: mainly due to the profits generated from operations and advance receipts, and due to the advance payment for property under the construction project.</li> <li>2. Net cash outflow from investing activities: mainly due to the increase in expenditures on new plants and equipment purchases.</li> <li>3. Net cash inflows from financing activities: The net cash outflow from financing activities is mainly due to the distribution of cash dividends.</li> </ol>					

### 7.3.2 Improvement Plan(s) for Inadequate Liquidity :

The Company and its subsidiaries had been in close contact with banks 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 2020

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
\$5,988,581	\$ 903,118	\$ 3,532,427	\$ 3,359,272	None	None
<p>1. Analysis of cash flow changes in the future year</p> <ol style="list-style-type: none"> <li>(1) Operating activities: Expected net cash inflows from operating profits in 2021.</li> <li>(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.</li> <li>(3) Financing activities: The net cash outflow from financing activities is mainly due to the distribution of cash dividends and repayment of bank loans.</li> </ol> <p>2. Remedial measures for cash shortfalls: Not applicable.</p>					



#### 7.4 Impact of Major Capital Expenditures on Financial Operations in the Recent Year:

The capital expenditures of the Company and the subsidiaries mostly attuned to the needs of future corporate development and in consideration of the development of new products and the needs of customer orders, which made capacity expansion and increased procurement of related equipment necessary for better sale and profit. The source of funding for capacity expansion and procurement of equipment is working capital, matching with other long-term loans from banks.

#### 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's operations and generate profits. The re-investment benefit of the Company under the equity method in 2020 was NT\$1,253,183 thousand, an increase from the previous year. Mainly due to the overall profitability of the overseas investee companies in 2020 was better than the same period of 2019.

#### 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 and 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 Future R&D Projects and Expected Investment in the R&D Budget.

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 multi directional textile with elasticity, 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%-5% 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:

The Company always pays close attention to and grasps any policies and law that may affect the Company's operations. In addition to responding to the government's investment measures in promoting overseas capital back to Taiwan in 2020 and handling the relevant tax incentives, as of the annual report publication date, changes in relevant laws and regulations did not affect the Company's operations.

7.6.5 Impacts of Changes in Technology and Industry on the Financial Business of the Company and Countermeasures:

The company pays attention to the technical changes in the industry at all times. Depending on the situation, the Company assigns staff to assess and study the impact of the changes on its future development and financial business and the countermeasures. In the recent year, there have been no major technical changes that have had a significant impact on the Company's financial business.

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 2020 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 2020 refers to the expansion of production in Taiwan, China, 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 Faced during Material Incoming and Sales Centralization as well as Countermeasures::

**Material Incoming:** 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, Kwanchi, 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, 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:

There was no director or shareholder holding more than 10% of the shares making excessive shareholdings a transfer in 2020; therefore, there was no significant impact on the Company's operations.

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 Company and Director, Supervisor, 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.

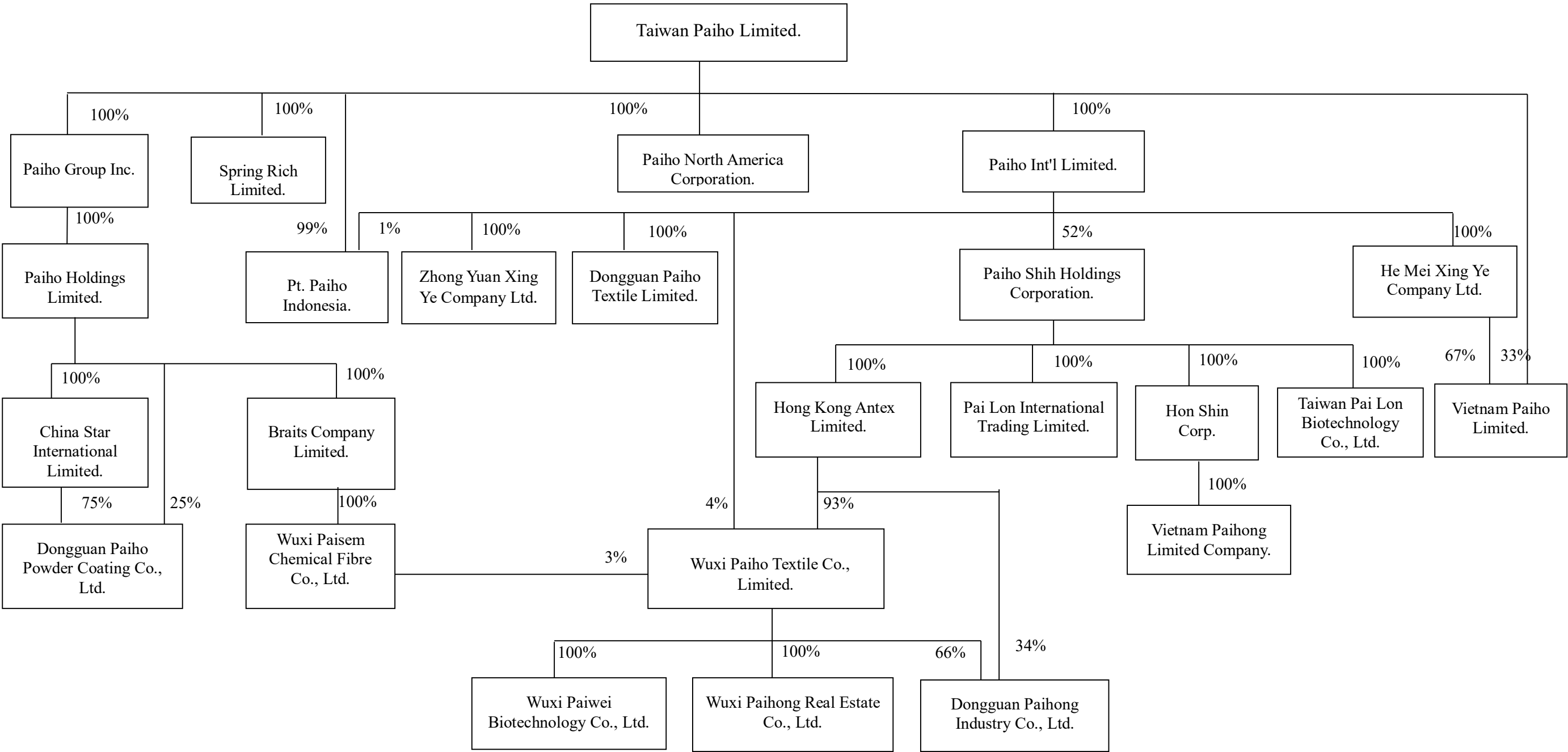
7.6.13 Other Significant Risks and Countermeasures: None.

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 ( December 31, 2020)



## 2. Basic Information of Affiliated Enterprises

Unit: NT\$ thousands, except additional notes

Company Name	Data of Incorporation	Place of Registration	Paid-in Capital (Note)	Major Business Item
Paiho Int'l Company	July 1995	British Virgin Islands	\$ 950,337	International investment.
Dongguan Paiho Company	November 1992	Dongguan, China	150,878	Production & marketing of touch fasteners, elastics, various type of webbings and computerized embroidery.
Spring Rich Limited.	July 1998	Changhua, Taiwan	3,000	Extra processing of webbings.
Vietnam Paiho Company	October 1999	Vietnam	1,004,286	Manufacture and extra processing on touch fasteners and various type of webbings.
Paiho Group Company	June 2001	British Virgin Islands	754,882	International Investment.
Paiho Holdings Company	June 2001	British Virgin Islands	754,882	International Investment.
Wuxi Paiho Company	July 2001	Wuxi, China	1,683,360	Processing of touch fastener, webbing and embroidery.
China Star Company	July 2001	Shanghai, China	180,305	Production & marketing of powder coating.
Dongguan Powder Company	January 2004	Dongguan, China	180,105	Production & marketing of powder coating.
Braits Company	July 2002	British Virgin Islands	472,807	International Investment.
Wuxi Paisem Company	June 2002	Wuxi, China	578,581	Production & marketing of chemical fiber.
Paiho North America Company	September 2003	California	227,840	Sales of touch fasteners and various type of webbings.
Dongguan Paihong Company	October 2005	Dongguan, China	1,563,004	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.
Paiho Shih Company	November 2006	Cayman Islands	3,151,781	International Investment.
Pai Lon International Trading Limited.	May 2007	British Virgin Islands	42,720	International Trading.
Hong Kong Antex Company	June 2007	Hong Kong	1,576,411	International Investment.

Company Name	Data of Incorporation	Place of Registration	Paid-in Capital (Note)	Major Business Item
He Mei Xing Ye Company	January 2007	Samoa	673,157	International Investment.
Zhong Yuan Xing Ye Company	January 2007	Samoa	107,085	International trading.
Paiho Indonesia Company	March 2010	Nining Sukabumi	512,640	Production & marketing of touch fasteners, various type of webbings and elastics.
Wuxi Paihong Company	February 2013	Wuxi, China	1,663,260	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.
Hon Shin Company	June 2016	Samoa	2,705,600	International Investment & trading.
Vietnam Paihong Company	November 2016	Vietnam	2,705,600	Production & marketing of mesh and other fabrics.
Wuxi Paiwei Company	December 2017	Wuxi, China	218,850	Production and sales of masks and non-woven products.
Taiwan Pai Lon Company	September 2020	Changhua, Taiwan	60,000	Production and sales of masks and non-woven products.

Note:

- (1) Paiho Int'l Company Paid-In Capital US\$33,368,564.
- (2) Dongguan Paiho Company Paid-In Capital RMB\$34,470,695.
- (3) Vietnam Paiho Company Paid-In Capital US\$24,262,839.
- (4) Paiho Group Company Paid-In Capital US\$26,505,685.
- (5) Paiho Holdings Company Paid-In Capital US\$26,505,685.
- (6) Wuxi Paiho Company Paid-In Capital RMB\$384,592,275.
- (7) China Star Company Paid-In Capital RMB\$41,193,640.
- (8) Dongguan Powder Company Paid-In Capital RMB\$41,148,021.
- (9) Braits Company Paid-In Capital US\$23,636,139.
- (10) Wuxi Paisem Company Paid-In Capital RMB\$132,186,640.
- (11) Paiho North America Company Paid-In Capital US\$8,000,000.
- (12) Dongguan Paihong Company Paid-In Capital RMB\$357,094,825.
- (13) Paiho Shih Company Paid-In Capital NT\$3,151,781,260.
- (14) Pai Lon International Trading Limited Paid-In Capital US\$1,500,000.
- (15) Hong Kong Antex Company Paid-In Capital HK\$429,188,833.
- (16) He Mei Xing Ye Company Paid-In Capital US\$16,262,839.
- (17) Zhong Yuan Xing Ye Company Paid-In Capital US\$3,760,000 元.
- (18) Paiho Indonesia Company Paid-In Capital US\$18,000,000.

- (19) Wuxi Paihong Company Paid-In Capital RMB\$380,000,000.
- (20) Hon Shin Company Paid-In Capital US\$95,000,000.
- (21) Vietnam Paihong Company Paid-In Capital US\$95,000,000.
- (22) Wuxi Paiwei Company Paid-In Capital RMB\$50,000,000.
- (23) Exchange rates are used as follows:

USD : NTD = 1 : 28.48

RMB : NTD = 1 : 4.377

HK : NTD = 1 : 3.673

### 3. Data of Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: None.

### 4. Business Scope of Affiliated Enterprises:

- (1) Major business item 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 item of Paiho Int'l Company: International investment.
- (3) Major business item of Dongguan Paiho Company: Production & marketing of touch fasteners, elastics, various type of webbings and computerized embroidery.
- (4) Major business item of Spring Rich Limited: Extra processing of webbings.
- (5) Major business item of Vietnam Paiho Company: Manufacture and extra processing on touch fasteners and various type of webbings.
- (6) Major business item of Paiho Group Company: International investment.
- (7) Major business item of Paiho Holdings Company: International investment.
- (8) Major business item of Wuxi Paiho Company: Processing of touch fastener, webbing and embroidery.
- (9) Major business item of China Star Company: Production & marketing of powder coating.
- (10) Major business item of Dongguan Powder Company: Production & marketing of powder coating.
- (11) Major business item of Braits Company: International investment.
- (12) Major business item of Wuxi Paisem Company: Production & marketing of chemical fiber.
- (13) Major business item of Paiho North America Company: Sales of touch fasteners and various type of webbings.
- (14) Major business item of Dongguan Paihong Company: Production & marketing of touch fastener, elastic, webbing, jacquard engineered mesh and 3C accessories.
- (15) Major business item of Paiho Shih Company: International investment.
- (16) Major business item of Pai Lon International Trading Limited: International trading.
- (17) Major business item of Hong Kong Antex Company: International investment.
- (18) Major business item of He Mei Xing Ye Company: International investment.



- (19) Major business item of Zhong Yuan Xing Ye Company: International trading.
- (20) Major business item of Paiho Indonesia Company: Production & marketing of touch fastener, various type of webbings and elastic.
- (21) Major business item of Wuxi Paihong Company: Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.
- (22) Major business item of Hon Shin Company: International investment & trading.
- (23) Major business item of Vietnam Paihong Company: Production & marketing of mesh and other fabrics.
- (24) Major business item of Wuxi Paiwei Company: Production and sales of masks and non-woven products.
- (25) Major business item of Taiwan Pai Lon Company: Production and sales of masks and non-woven products.

5. Rosters of Directors, Supervisors, Managerial Officers and General Manager of Affiliated Enterprises

December 31, 2020

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Paiho Int'l Company	Director	Sen-Mei Cheng	0	0%
	Director	Kuo-Ian Cheng	0	0%
			Taiwan Paiho Limited holds 33,368,564 shares.	100%
Dongguan Paiho Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
			Paiho Int'l Company investment NT\$0.	100%
Spring Rich Limited	Chairman and General Manager	Kuo-Ian Cheng	0	0%
			Taiwan Paiho Limited investment NT\$3,000 thousand.	100%
He Mei Xing Ye Company	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Int'l Company holds 23,636,140 shares.	100%
Vietnam Paiho Company	Chairman and General Manager	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Chen-Chia Cheng	0	0%
			He Mei Xing Ye Company Investment NT\$773,954 thousand.	67%
			Taiwan Paiho Limited investment NT\$358,776 thousand.	33%
Paiho Group Company	Director	Hsin-Jung Cheng	0	0%
			Taiwan Paiho Limited holds 26,505,685 shares.	100%
Paiho Holdings Company	Director	Hsin-Jung Cheng	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Group Company holds 26,505,685 shares.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Wuxi Paiho Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Jian-Fang Zhu	0	0%
	Director	Ming-Chang Chiang	0	0%
	Director	Pei-Chao Chang	0	0%
	Supervisor	Mei-Hui Lin	0	0%
	Supervisor	Chang-Chieh Liu	0	0%
	Supervisor	Qing-Biao Wu	0	0%
			Hong Kong Antex Company holds 358,431,843 shares.	93%
			Paiho Int'l Company holds 16,148,537 shares.	4%
			Wuxi Paisem Company Holds 9,973,436 shares.	3%
China Star Company	Chairman and General Manager	Hsin-Jung Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
			Paiho Holdings Company investment NT\$201,922 thousand.	100%
Dongguan Powder Company	Chairman and General Manager	Hsin-Jung Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Chen-Chia Cheng	0	0%
	Supervisor	Cheng-Tsung Cheng	0	0%
			China Star Company investment RMB\$26,033 thousand.	75%
			Paiho Holdings Company investment NT\$35,720 thousand.	25%
Braits Company	Director	Sen-Mei Cheng	0	0%
	Director	Kuo-Ian Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Wei Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
			Paiho Holdings Company holds 16,601,385 shares.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Wuxi Paisem Company	Chairman and General Manager	Hsin-Jung Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Kuo-Ian Cheng	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Braits Company investment US\$17,000 thousand.	100%
Paiho North America Company	Chairman and General Manager	Yi-Ming Lin	0	0%
	Director	Cheng-Wei Cheng	0	0%
			Taiwan Paiho Limited hold 800,000 shares.	100%
Dongguan Paihong Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chiang-Tung Huang	0	0%
	Director	Min-Nan Tu	0	0%
	Supervisor	Cheng-Wei Cheng	0	0%
	Supervisor	Chen-Chia Cheng	0	0%
			Wuxi Paiho Company investment US\$ 34,500 thousand. Hong Kong Antex Company investment US\$ 18,000 thousand.	66% 34%
Paiho Shih Company	Chairman and General Manager	Representative of Paiho Int'l Company:	162,632,396	51.6%
	Director	Kuo-Ian Cheng	25,554,482	8.1%
	Director	Shih-Chang Ko	0	0%
	Director	Lien-Fa Tsai	25,660	0.01%
	Director	Chen-Chia Cheng	97,263	0.03%
	Director	Cheng-Tsung Cheng	0	0%
	Director	Yi-Liang Shih	7,056	0%
	Independent Director	Yung-Fu Wu	0	0%
	Independent Director	Yung-Jen Tsao	0	0%
	Independent Director	Cheng-Chu Lin	0	0%
	Director			

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Hong Kong Antex Company	Director	Kuo-Ian Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Tsung Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
			Paiho Shih Company holds 54,334,644 shares.	100%
Pai Lon International Trading Limited	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Company holds 1,500,000 shares.	100%
Zhong Yuan Xing Ye Company	Director	Sen-Mei Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Int'l Company holds 3,760,000 shares	100%
Paiho Indonesia Company	Chairman and General Manager	Cheng-Tsung 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%
	Director	Yi-Lun Cheng	0	0%
	Supervisor	Kuei-Chu Yeh	0	0%
			Taiwan Paiho Limited holds 178,200 shares. Paiho Int'l Company holds 1,800 shares.	99% 1%
Wuxi Paihong Company	Chairman and General Manager	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 Company investment RMB\$380,000	100%
Hon Shin Company	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Company holds 95,000,000 shares	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Vietnam Paihong Company	Chairman and General Manager	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 Company investment US\$95,000 thousand.	100%
Wuxi Paiwei Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Ming-Chang Chiang	0	0%
	Supervisor	Jian-Fang Zhu	0	0%
			Wuxi Paiho Company investment RMB\$50,000 thousand.	100%
Taiwan Pai Lon Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
			Paiho Shih Company investment NTD\$60,000 thousand.	100%

## 6. Operational Highlights of Affiliated Enterprises

December 31, 2020  
Unit: NT\$ thousands, except EPS (NT\$)

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Profit from Operations (Loss)	Net Profit (Loss)	Basic Earnings Per Share
Taiwan Paiho Limited	\$2,979,639	\$14,007,038	\$4,197,953	\$9,809,085	\$3,771,343	\$ 618,790	\$1,551,805	\$5.21
Paiho Int'l Company	950,337	6,563,210	73,177	6,490,033	784,086	735,282	755,161	-
Dongguan Paiho Company	150,878	157,287	2,247	155,040	0	( 9,403)	( 3,635)	-
Spring Rich Limited	3,000	5,800	520	5,280	1,070	110	251	-
Vietnam Paiho Company	1,004,286	5,854,053	2,027,608	3,826,445	3,820,554	927,007	757,070	-
Paiho Group Company	754,882	844,581	0	844,581	33,167	33,092	33,166	-
Paiho Holdings Company	754,882	844,613	40	844,573	37,275	37,049	33,167	-
Wuxi Paiho Company	1,683,360	7,562,532	442,545	7,119,987	1,984,629	302,621	1,059,934	-
China Star Company	180,305	274,077	26,395	247,682	146,047	( 8,143)	( 4,478)	-
Dongguan Powder Company	180,105	308,071	92,025	216,046	182,015	20,007	13,347	-
Braits Company	472,807	535,450	0	535,450	37,984	37,984	37,984	-
Wuxi Paisem Company	578,581	542,442	5,498	536,944	0	( 799)	40,243	-
Paiho North America Company	227,840	272,974	81,920	191,054	267,905	9,655	( 3,328)	-
Dongguan Paihong Company	1,563,004	3,954,281	430,684	3,523,597	2,468,540	626,167	546,261	-
Paiho Shih Holdings Company	3,151,781	18,506,166	12,558,452	5,947,714	6,552,677	1,066,197	583,357	1.63
Hong Kong Antex Company	1,576,411	7,876,305	391,240	7,485,065	1,097,793	1,097,793	1,040,414	-

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Profit from Operations (Loss)	Net Profit (Loss)	Basic Earnings Per Share
Pai Lon International Trading Limited	42,720	360,727	446,736	( 86,009)	747,214	( 38,602)	( 19,434)	-
He Mei Xing Ye Company	673,157	2,564,807	0	2,564,807	507,479	507,479	507,479	-
Zhong Yuan Xing Ye Company	107,085	59,049	59,600	( 551)	122,155	( 18,222)	( 18,184)	-
Paiho Indonesia Company	512,640	1,796,185	1,251,865	544,320	866,696	193,257	124,775	-
Wuxi Paihong Company	1,663,260	5,927,784	3,542,560	2,385,224	1,784,414	545,883	370,004	-
Hon Shin Company	2,705,600	2,226,635	1,131,938	1,094,697	453,423	( 26,869)	( 547,952)	-
Vietnam Paihong Company	2,705,600	5,480,258	4,091,729	1,388,529	276,042	( 448,065)	( 516,397)	-
Wuxi Paiwei Company	218,850	436,446	210,293	226,153	129,345	28,057	28,407	-
Taiwan Pai Lon Company	60,000	59,800	13	59,787	0	( 243)	( 213)	-

Note: For information on capital stock and exchange rate, please refer to page 307.



#### 8.1.2 Consolidation Financial Statements of Affiliated Enterprises:

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, 2020 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, 2020 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

By:

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Sei-Mei Cheng  
President

March 24, 2021

8.2 Private Placement Securities in the Recent Year and Up to the Annual Report Publication Date: None.

8.3 Taiwan Paiho Limited Common Shares Acquired, Disposed of, Held by Subsidiaries in the Recent Year and Up to the Annual Report Publication Date: None.

8.4 Other Necessary Supplement: None.

8.5 Any Events in the Recent Year and Up to the Annual Report Publication Date that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act: None.

**TAIWAN PAIHO LIMITED**

**Chairman   Sei-Mei Cheng**