



STOCK CODE : 8404

PAIHO SHIH HOLDINGS CORPORATION

2019 Annual Report

(Translation)

Annual Reprot is available at : <https://mops.twse.com.tw>
<https://www.paiho.cn>

Printed on : April 30, 2020

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Litigation and Non-Litigation Agent within R.O.C

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1.2 Address and Telephone Number of Head Office, Subsidiaries and Factories:

1.2.1 Head Office

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Name : Wuxi Paiho Textile Co., Ltd. Tel : +86-510-88261688

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1.2.3 Dongguan Subsidiary Company

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Address : Huanbao Industry District, Shatian Town, Dongguan City, Guangdong, China.

1.2.4 Hong Kong Subsidiary Company

Name : Hong Kong Antex Limited. Tel : +86-852-23802376

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1.2.5 British Virgin Islands Subsidiary Company

Name : Pai Lon International Trading Limited. Tel : +86-852-23802376

Address : OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

1.2.6 Wuxi Subsidiary Company

Name : Wuxi Paihong Real Estate Co., Ltd. Tel : +86-510-88789866

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1.2.7 Wuxi Subsidiary Company

Name : Wuxi Paiwei Biotechnology Co., Ltd. Tel : +86-510-88263199

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Name : Hon Shin Corp. Tel : +84-274-6272288

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1.2.9 Vietnam Subsidiary Company

Name : Vietnam Paihong Limited Company. Tel : +84-274-6272288

Address : Lot C_6A_CN, Bau Bang Industrial Zone Extension, Lai Uyen Town, Bau Bang District, Binh Duong Province, Vietnam.

1.3 List of Board of Directors

Title	Name	Nationality	Major Experience
Chairman	Representative of Paiho Int'l Limited. : Kuo-lan Cheng	R.O.C	Please refer to page 15-17 for details.
Director	Chen-Chia Cheng	R.O.C	
Director	Cheng-Tsung Cheng	R.O.C	
Director	Yi -Liang Shih	R.O.C	
Director	Shih-Chang Ko	R.O.C	
Director	Lien-Fa Tsai	R.O.C	
Independent Director	Yung-Fu Wu	R.O.C	
Independent Director	Cheng-Chu Lin	R.O.C	
Independent Director	Yong-Jen Tsao	R.O.C	

1.4 Stock Transfer Agent

Name : The Transfer Agency Department of
CTBC Bank

Tel : +886-2-6636-5566

Address : 5F, No.83, Sec. 1, Chung-Ching S. Rd.,
Taipei 10008,Taiwan

Website : <https://www.ctbcbank.com>

1.5 CPAs for Recent Annual Financial Statements

Name of CPAs : Shu-Chin Chiang
Ting-Chien Su

Taichung office :

22F, No. 88, Sec. 1, Huizhong Rd.,
Xitun Dist.,Taichung, 40756, Taiwan

Accounting Firm's Name:

Deloitte Touche Tohmatsu Limited.

Tel : +886-4-3705-9988

Address : 20F, No.100, Songren Rd., Xinyi Dist.,
Taipei ,11073,Taiwan

Website : <https://www.deloitte.com.tw>

Tel : +886-2-2725-9988

1.6 Name of any Overseas Securities Trading Agency and Method for Searching the Information of the Overseas Securities : Not applicable.

1.7 Corporate Website : <https://www.paiho.cn>

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I. Letter to Shareholders

Dear Shareholders,

First, we appreciate your attendance at the present shareholders' meeting and your long-term support and care of our Company.

The year of 2019 was a turning point for the global economy. China had faced the challenge of the "China-US trade war" throughout the year and a conflicting Hong Kong society since the second half of the year; moreover, the "Belt and Road Initiative" strategy had not been as effective as expected, resulting in a weak economic growth and international trade for Chinese, added with the coronavirus pandemic (COVID-19) occurred at the end of the year, causing a downside risk to the global economy that have resulted in an increase in the overall operational risks. With the team collaboration spirit and effort of all of the employees of the Company, in 2019, the net sales of the Company was NT\$ 6,567,553 thousand, an increase of 9.6% from the net sales of NT\$ 5,992,847 thousand in 2018. Nevertheless, due to the new operating location and early stage of new product development, the personnel and development costs are relatively higher. Consequently, the net profit was NT\$ 422,794 thousand, where the net profit attributable to shareholders of the Company was NT\$ 359,353 thousand, and the earnings per share (EPS) of the Company was NT\$ 1.14.

Looking out to 2020, as the impact of COVID-19 pandemic on the global supply chain and economy will continue to expand, all market survey organizations have lowered their forecasts on the 2020 global economic growth, suggesting that 2020 will be a year of challenges. Fortunately, our entry into the mask business in the biotech sector is expected to burgeon in 2020. In addition, we have been actively deploying the Vietnamese market by enhancing business expansion and continuing the R&D of functional and eco-friendly products of Vietnam Paihong Limited Company., and alongside the completion of the construction project in Wuxi, all these will benefit the Company's profitability.

Finally, the valuable feedback of all members of the Board of Directors is appreciated. In addition, I truly thank the commitment, contribution, and effort of the management team and all employees of the Company. The Company greatly appreciates the shareholders for the continuous support of the Company in an era of a constantly changing environment. The management team and all employees of the Company will continue to create the greatest benefits for the shareholders and employees of the Company for the long term with an active and pragmatic attitude, along with the fulfillment of corporate social responsibility. We sincerely look forward to all shareholders' continuous great encouragement and support for Paiho Shih Holdings Corporation.

We Wish All Shareholders

Good Health, Great Fortune

Chairman: Kuo-lan Cheng

1.1 2019 Business Report

1.1.1 Business Implementation Outcome

Unit : NT\$ thousands

Item	2019	2018	Difference Amount	Difference %
Net Sales	6,567,553	5,992,847	574,706	9.59
Gross Profit	2,316,157	2,145,312	170,845	7.96
Profit from Operations	922,232	761,802	160,430	21.06
Profit Before Income Tax	770,262	619,347	150,915	24.37
Net Profit	422,794	373,641	49,153	13.16
Change and Difference Analysis: In recent years, apart from actively developing jacquard engineered mesh and high value-added products, we have been expanding the scope of product applications to increase the overall net sales, gross profit, and net profit.				

1.1.2 Budget Execution: For the year of 2019, the Company has not established a financial forecast.

1.1.3 Financial Revenue/Expenditure and Profitability Analysis

Item		2019	2018
Capital Structure(%)	Debt Ratio	63.02	65.44
	Long-term Fund to Property, Plant and Equipment Ratio	138.72	189.64
Liquidity(%)	Current Ratio	116.51	119.81
	Quick Ratio	54.74	56.06
Profitability(%)	Return on Total Assets	3.61	3.42
	Return on Equity	8.04	7.24
	Net Profit Margin	6.44	6.23
	Earnings Per Share Attributable to Shareholders of the Parent (NT\$)	1.14	1.01

1.1.4 Status of Research and Development

The Company and subsidiaries are established with a dedicated research and development department or design center, in charge of the research and development of all products and manufacturing processes. The annual research and development budget invested accounts for 5% of the net sales. The Company and its subsidiaries based on the brand styles and fashion trends to develop and innovate products continuously; also, enter the mask industry in the field of biotechnology. The Company increases the added value of products in many ways to meet the personal needs of individual customers and improve the economic efficiency of the enterprise.

The annual planned development in 2020 for new products and research of the Company and subsidiaries include: Elastic fabric of polyester warp knitted jacquard, self bending elastic fabric, marine recycled yarn, improvement of dyeing equipment for super yarn, hot pressing products of seamless needle car, research on weaving technology of special high strength and adhesive touch fastener, and research on fabric roll coating technology and equipment, etc.

1.2 2020 Business Plan Overview

1.2.1 Operational Strategy

- 1、Strengthen marketing and sales ability, seek to establish joint development mechanisms with all major brand customers. The Company has established a development center in Shanghai, China, in order to centralize the Group's resources and the close contact as well as development with all major brands. Through Shanghai's international planning, the radiation effect of the Company in China and global purchasers can be enhanced at the same time. Continue to research and develop new products in order to increase the diversity of products and improve product quality, thereby strengthening the competitiveness and satisfying the one-stop shopping demand of customers.
- 2、To enhance market cultivation and product R&D in Vietnam, with Vietnam's tax preference treaties with various countries and lower labor cost, we created more interests for the Group.
- 3、Establish a complete development, sales, and distribution service network in order to service customers locally. Active planning for the production capacity of jacquard engineered mesh, enter into the primary material market, and head toward the transformation of a comprehensive material provider.
- 4、Cope with the continuous stable development in the Chinese medial market, along with the utilization of existing products of the Company, manufacture and sell protective masks in order to strengthen the planning and development in medical related industries.

1.2.2 Expected Sales Quantity and its Basis

The Company, in addition to the traditional auxiliary materials business, has actively developed jacquard engineered mesh products in recent years, entered the main materials supply chain and deployed in Southeast Asia markets, including Vietnam; also, the Company has launched construction projects in Wuxi and promoted the domestic demand market in Mainland China with the expectation of realizing a solid momentum for the Company's continuing growth.

1.2.3 Important Production and Marketing Policies

- 1、Through continuous development of new products, environmentally-friendly products, and extension of product application aspects, along with the planning of new marketing or production sites, the Company continuously expands the scope of customers in order to establish irreplaceable long-term partnerships with customers through product promotion to new businesses and potential customers.

- 2 、 Active deployment of online marketing platforms and mobile customer apps, and engagement in the B2B business expand the brand's influence in the business. Development of client mobile apps for customers to see samples and place orders on-demand and to test the waters and accumulate experience for the Group entry to the B2C market in the future.
- 3 、 Enhance the manufacturing process technology improvement in order to increase the cost advantage, improve automatic production technical level, strengthen integration of various manufacturing processes, in order to shorten the production time and labor costs, thereby improving the product quality and yield rate as well as increasing the overall competitiveness of the Company.
- 4 、 Strengthen the business development in Vietnam and the Southeast Asian region, further utilize the "Belt and Road Initiative" policy recently launched by China, and establish the R&D center near the National Exhibition and Convention Center (Shanghai) in order to develop free trade in various countries. Enhance the collaborative development and market planning with overseas markets and customers.
- 5 、 Continue to invest in environmental protection and a commitment to green factory production for green products. This concept has also received recognition from numerous international brand giants.

1.2.4 The Company's Future Development Strategy

- 1 、 Through the development, manufacturing, and sales of jacquard engineering mesh for knitted fabric, the Company expects to become the primary material supplier for the shoe industry and bags, etc. industries in order to service customers locally.
- 2 、 Strengthen the product technology and quality advantages, continuously develop new products and promote product diversity.
- 3 、 Enhance the development and interaction with all brand makers and establish a complete O2O service system. With the production bases of the Company established in Wuxi, Dongguan, and Vietnam, the Company expects to achieve excellent marketing planning for new emerging markets.
- 4 、 Flexibly utilize various competition strategies to expand product application fields and to continuously develop new products or new channels. In view of the large medical consumable market and development potential in China, with the production and sales of protective masks, the Company is able to enter into medical related business in order to achieve the business goal of comprehensive service provision.

1.2.5 Impacts of External Competitive Environment, Regulatory Environment, and Overall Operating Environment

In 2019, Chinese economic growth has relaxed, the US-China trade war has made China's export trade severely sluggish, and global economic recovery has slowed. All these together have brought some influence to the sales of our two production bases in China. However, through continual development of high value-added products, cultivation of China, and deployment in Vietnam, we have maintained continual and steady growth.

Despite the great number of competitors for relevant products of the Company, nonetheless, the Company has a relatively higher brand awareness and excellent reputation, such that downstream customers also have relatively higher recognition and loyalty to the Company. The Company has continuously increased the added value of products through the aspects of environmental protection, comfort, health, and safety, thereby providing comprehensive services to customers and increasing the diversity of products with functionality. Recently, the Company further cooperatively developed the new nano-composite material mask products such that the Company has the opportunity to enter into medical related business. In view of the overall development, the Company has established excellent competition advantages with the capability to cope with the changes of internal and external environments, and will continue to strengthen the competitiveness of the Company.

The Company is jointly developing the commercial and residential construction project with the developer in Wuxi, China. Although the Chinese government has implemented the policy of "real estate suppression" in recent years, the Company have been cultivating the Chinese market for nearly 30 years, the first phase of construction project were sold out shortly after pre-sales began. After product optimization, the Company believe that policy influence will be lowered and competeness can be maintained.

Chairman : Kuo-lan Cheng General Manager : Kuo-lan Cheng Accounting Officer : Yu-Min Chang

II. Company Profile

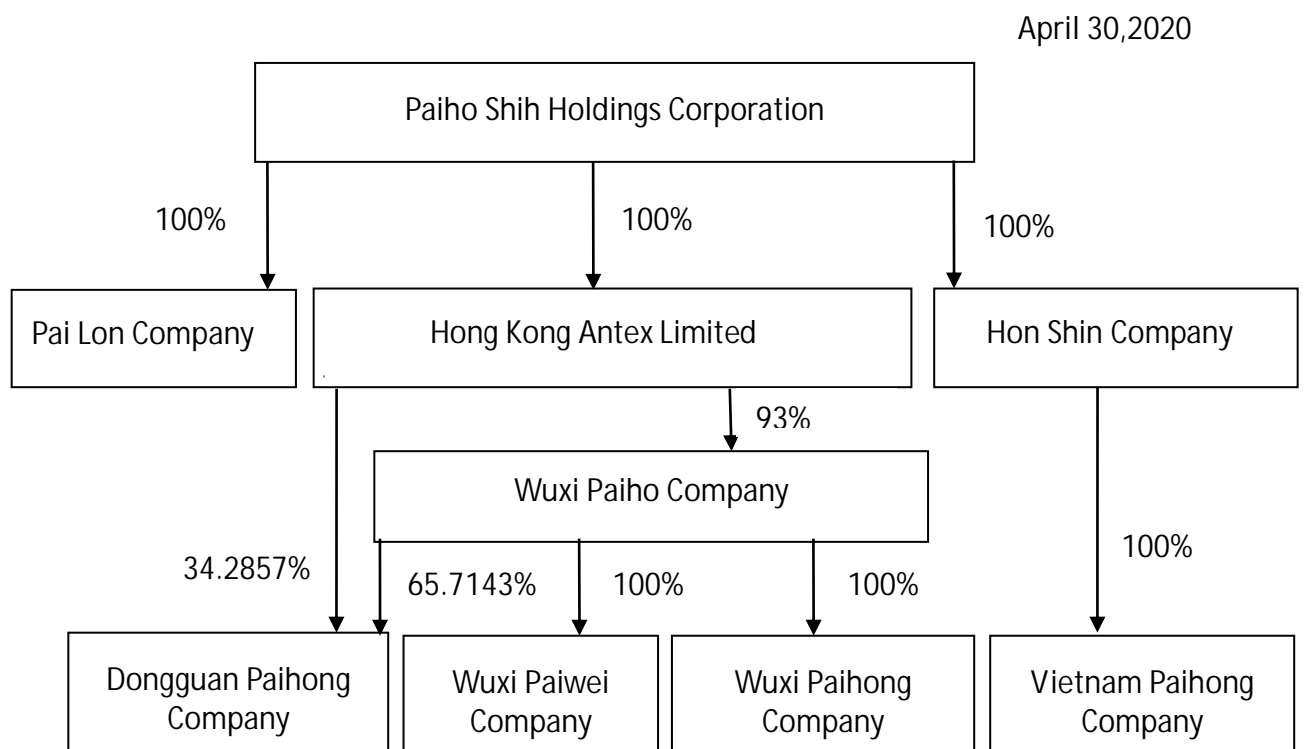
2.1 Company & Group Introduction

2.1.1 Date of Establishment & Group Introduction

PAIHO SHIH HOLDINGS CORPORATION was established on November 6, 2006 in Cayman Islands. The main business items are production and sales of touch fastener, webbing (shoelace), elastic and jacquard engineered mesh as well as real estate sales. Its main market is in China and the business was operated by Wuxi Paiho Textiles Co., Ltd. (Wuxi Paiho Company) and Dongguan Paihong Industry Co., Ltd. (Dongguan Paihong Company) located in the Wuxi and Dongguan respectively. In 2016, Vietnam Paihong Limited Company. (Vietnam Paihong Company) was established in order to build the layout of Vietnam's market. Besides, the Company's overseas procurement and sales business are conducted by Pai Lon International Trading Limited. (Pai Lon Company) and Hon Shin Corp. (Hon Shin Company).

Besides, to take the opportunity of domestic market growth in China, the Company established Wuxi Paihong Real Estate Co., Ltd. (Wuxi Paihong Company) in 2013, to develop construction project in the high-speed rail business district of the Wuxi City. In response to develop business demand, the Company set up Wuxi Paiwei Biotechnology Co.,Ltd. (Wuxi Paiwei Company) in 2017, the main business is production & sales of masks and non-woven products.

2.1.2 Group Structure



2.1.3 Risk Analysis : Please refer to page 217-221 of this annual report.

2.2 Company & Group History

Year	Major Events
2001	Taiwan Paiho Limited. (Taiwan Paiho Company) established Paiho Group Inc. (Paiho Group Company) locates in British Virgin Islands, capital amount of US\$ 2.5 million. Paiho Group Company then invested & established Paiho Holdings Ltd., and Paiho Holdings Ltd. established Wuxi Paiho Company in China Mainland.
2005	Due to business restructuring requirements, Taiwan Paiho Company invested & established Dongguan Paihong Company though Pai Shin Corp. (Pai Shin Company) with 100% holding shares, in order to provide customer services in Pearl River Delta.
2006	Wuxi Paiho Company acquires certificates of ISO 9001 on Quality Management System and ISO 14001 on Environmental Management System.
	Wuxi Paiho Company obtained "High-Technology Product Enterprise Certificate" issued by Jiangsu Province Science & Technology Commission.
2007	For the need of business development, Wuxi Paiho Company established Pai Lon Company in BVI in responsible for import and export business.
	Wuxi Paiho Company invested Dongguan Paihong Company by cash of US\$ 7.5million and obtained 75% shareholding of Dongguan Paihong Company.
	For the group restructuring requirements, Taiwan Paiho Company reinvested and established Paiho Shih Holdings Corporation set in British Cayman Islands through Paiho Int'l Limited.(Paiho Int'l Company) Taiwan Paiho Company has 100% shareholding indirectly with registered capital of US\$ 20 million. Paiho Shih Holdings Corporation then set up Hong Kong Antex Limited. (Hong Kong Antex Company) with 100% equity interest and registered capital of US\$ 20 million.
	Wuxi Paiho Company was originally held 100% share equity by Paiho Holdings Ltd.. For adjustment of group investment structure, Wuxi Paiho Company was transferred and held by Hong Long Antex Company.

Year	Major Events
2007	Wuxi Paiho Company increased capital and introduced external shareholders, the Company then held 89.3% indirect equity of Wuxi Paiho Company. Wuxi Paiho Company Shareholders' Meeting approved limited company to restructure into a stock limited company and converted 300,000,000 shares of equity, each denomination was one RMB Dollar. The net worth and the equity exchange difference are listed as additional paid-in capital.
2009	For adjustment of group restructuring, the Company 100% held Hong Kong Antex Company 100% of equity. Hong Kong Antex Company took over Dongguan Paihong Company 25% of equity which was original owned by Pai Shin Company.
	The Company increased capital and reinvested Hong Kong Antex Company. Hong Kong Antex Company then purchased 3.91% shareholdings of Wuxi Paiho Company from minority shareholders. Therefore Hong Kong Antex Company held 93.2% shareholdings of Wuxi Paiho Company.
2010	The Company approved each par vaule denomination changed from one USD to 10 NTD. After converting, the paid-up share capital was NT\$ 1,764,229 thousand.
	Wuxi Paiho Company awarded "High-Technology Product Enterprise Certificate" issued by Jiangsu Province Science & Technology Commission, and corporate income tax by levy 15%. On the same year, Wuxi Paiho Company was identified as grade A on custom management.
	On December 30, the Company was approved listing by TWSE.
2011	On May 18 ,2011 the Company was listed in the TWSE.
	For the better future development, the Company took over Pai Lon Company 100% of equity which was original owned by Wuxi Paiho Company.
	Wuxi Paiho Company awarded certificate of "Fire Retardant Hook and Loop Engineering Center" issued by The Science & Technology Bureau of Wuxi City, Jiangsu Province.
	Both Wuxi Paiho Company and Dongguan Paihong Company were authorized of "Oeko-Tex Certificate" issued by Testex AG, Swiss Textile Testing Institute.
	Dongguan Paihong Company awarded certificate of "Material Supplier Lab" issued by Adidas Group.

Year	Major Events
	Dongguan Paihong Company awarded certificate of "Superior Supplier of Quality Management System" issued by Mizuno.
2013	The Company hold 93% shareholding indirectly of Wuxi Paiho Company, then invested and established Wuxi Paihong Company.
	Dongguan Paihong Company awarded certificate of "Material Supplier Lab" issued by NIKE and Adidas Group.
	Dongguan Paihong Company acquires certificates of ISO 9001 on Quality Management System and ISO 14001 on Environmental Management System.
2015	Dongguan Paihong Company awarded "High-Technology Enterprise Certificate" issued by Guangdong Province Science & Technology Commission.
	Develop the product of Jacquard Engineered Mesh and enter into main material's supply chain.
2016	Both Wuxi Paiho Company & Dongguan Paihong Company awarded certificate of "China Water Footprints Assessment", "Products Carbon Footprints" and "Carbon Neutral" issued by CQC.
	Wuxi Paiho Company awarded "Contribution of Social Responsibility in 2016".
	Dongguan Paihong Company's Red Twin Hook product awarded certificate of "Branded product of Guangdong Province" issued by Branded Product Promotion Committee of Guangdong Province.
	Wuxi Paiho Company obtained certificate of ISO/TS16949:2009 on Quality Management System from International Automotive Task Force (IATF).
	The Company indirect established Vietnam Paihong Company through Hon Shin Company with 100% shareholding.
	Dongguan Paihong Company awarded certificate of "Guangdong Province Special Weaving & Composition of Fabric Technique Research Center" issued by Guangdong Province Science & Technology Commission.
	Wuxi Paiho Company's Touch Fastener and Webbing product awarded certificate of "Branded product of Jiangsu Province" issued by Branded Product Strategy Promotion Committee of Jiangsu Province.

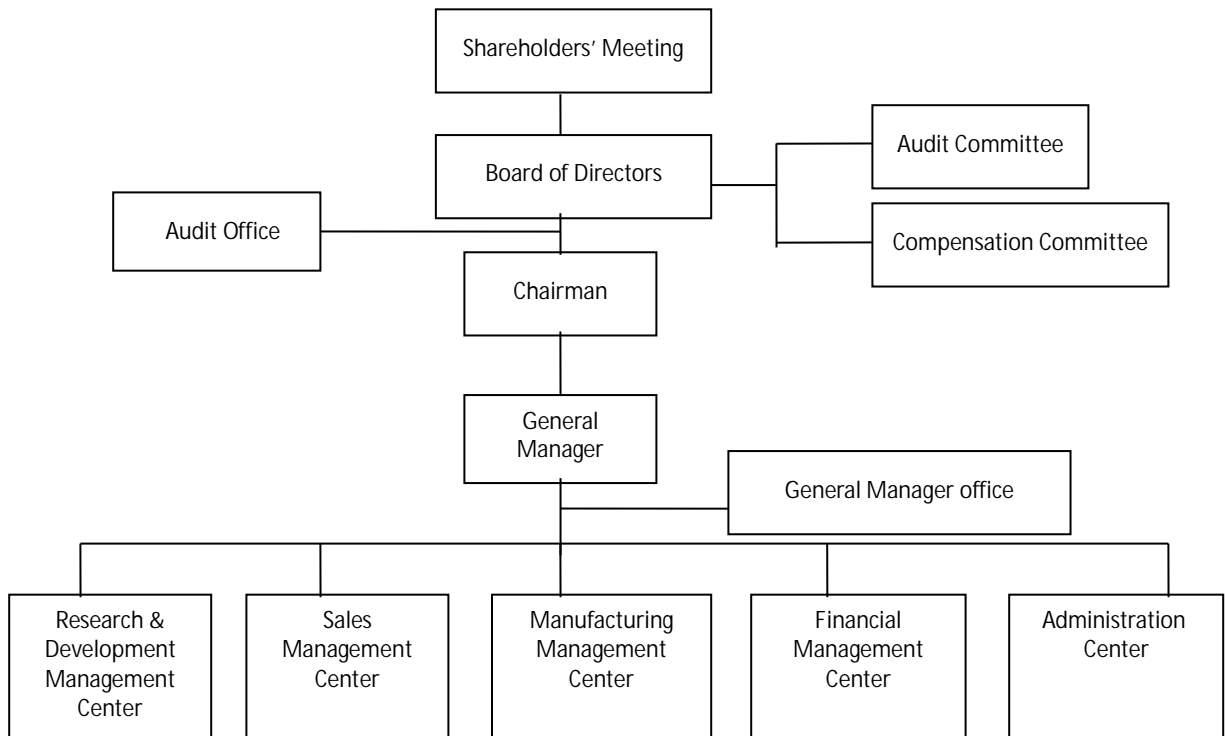
Year	Major Events
	Wuxi Paiho Company's trademark of Red Twin Hook & Paiho awarded certificate of "Prominent Trademark of Wuxi City" issued by Wuxi Municipal Bureau of Commerce.
2017	Dongguan Paihong Company identified as the "Provincial Enterprise Technology Center" awarded by Economic & Informational Technology Committee of Guangdong Province.
	Dongguan Paihong Company identified as the "Enterprise Energy Management Center of Dongguan City" awarded by Economic & Information Technology Bureau of Guangdong Province.
	The Company held 93% share indirectly of Wuxi Paiho Company and reinvested and established Wuxi Paiwei Company. The major business items are production and sales of masks and non-woven products.
	Dongguan Paihong Company was selected as "Dongguan City Key Enterprise of Implementing the Scale and Benefit Multiplication Plan " by Dongguan Municipal People's Government.
2018	The product Jacquard Engineered Mesh awarded certificate of "China Water Footprints Assessment" and "Products Carbon Footprints".
	Wuxi Paiho Company awarded by Ministry of Industry and Information Technology of the People's Republic of China as "Green Plant" .
	The environmental Webbing product of Wuxi Paiho Company awarded certificate of "The Best Products" issued by China Low-Carbon Technology Expo Committees.
	The brand of "Red Twin Hook Touch Fastener" of Dongguan Paihong Company awarded certificate of "Guangdong Brand Products in industry Category" issued by Excellent & Quality Brand Research Institution in Guangdong.
	Dongguan Paihong Company was selected as "Trustworthy Enterprise of Dongguan Province in 2017", awarded by Dongguan Municipal Bureau of Commerce.
	Both Wuxi Paiho Company & Dongguan Paihong Company obtained the certificate of ISO 45001 on Occupational Health & Safety Management System.
2019	Both Wuxi Paiho Company & Dongguan Paihong Company obtained the certificate of ISO 50001 on Energy Management System.
	Dongguan Paihong Company obtained the certificate of GB/T29490 : 2013 on Intellectual Property Management System.

Year	Major Events
2019	Vietnam Paihong Company obtained the certificate of ISO9001 on Quality Management System, ISO14001 on Environmental Management System and ISO45001 on Occupational Health & Safety Management System.
	Hon Shin Company obtained the certificate of Global Recycled Standard (GRS) 4.0.
	Dongguan Paihong Company awarded by Ministry of Industry and Information Technology of the People's Republic of China as "Green Plant" .
	Wuxi Paiho Company rated by the General Administration of Customs of the People's Republic of China as a "China Export Leading Indicator Model Enterprise".

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Responsibilities of Main Departments

Department	Primary Responsibility
Board of Directors	To be responsible for Shareholders' Meeting, execute shareholders' meeting resolutions, determine the Company business plan and investment solutions within the authorization scope of the Shareholders' Meeting.
Chairman	Provide policy instructions and establish objectives and directives for the operational business of the Company, and appoint key managerial officers to perform development of business.
Audit Committee	Represent the Board of Directors to supervise the preparation of financial reports and effective implementation of internal control in order to ensure the credibility of financial reports and the legal compliance of various activities of the Company.
Compensation 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.
General Manager	Execute resolutions of Board of Directors' meetings, and manage all affairs of the Company.
General Manager office	Manage and plan medium to long term operational strategies of the Company, and review the business status of the Company at all times, adjust solutions in a timely manner in order to cope with the market changes, as well as execute all project work assigned by the General Manager.
Research & Development Management Center	Including the research of manufacturing processes and development of various new manufacturing processes or new products, manage the research and development departments of laboratories and technology research centers, etc. of Wuxi Paiho Company, Dongguan Paihong Company, Vietnam Paihong Company, Hon Shin Company, and Pai Lon Company.
Sales Management Center	Supervise and manage the sales, customer development, and service affairs of the Group, followed by managing Wuxi Paiho Company, Vietnam Paihong Company, Hon Shin Company, Pai Lon Company, and Dongguan Paihong Company according to the functions respectively.
Manufacturing Management Center	Supervise and manage the production and purchase management of the Group, followed by managing Wuxi Paiho Company, Vietnam Paihong Company, Hon Shin Company, Pai Lon Company, and Dongguan Paihong Company according to the functions respectively.
Financial Management Center	Supervise and manage the budget planning, financial, and accounting affairs of the Group.
Administration Center	Supervise and administration and information management of the Group, as well as assisting and integrating the operations of management centers.

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

3.2.1 Information of the Directors

April 11, 2020

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education & Secleted Past Positions	Current Positions at the Company and Other Companies	Directors and Managerial Officers who are Spouses or Within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Representative of Paiho Int'l Limited. ; Kuo-Ian Cheng	Male	2019.06.12.	3Years	2006.11.06	150,585,552	51.6%	162,632,396	51.6%	631,692	0.20%	0	0	. Dep. of Auto Mechanics, Chia-Yang Industrial High School . Chairman, Song Dian Vehicle Co., Ltd. . Vice Chairman, Taiwan Paiho Limited.	Note 1	Director	Chen-Chia Cheng	The First Degree	Note 5
									25,554,482	8.11%							Vice General Manager, Sales Management Center	Hsin-Jung Cheng	The First Degree	
Director	R.O.C.	Chen-Chia Cheng	Male	2019.06.12.	3Years	2014.06.19	90,059	0.03%	97,263	0.03%	0	0	0	0	. Master of Marketing Management , Griffith University	Note 2	Director	Kuo-Ian Cheng	The First Degree	None
																	Vice General Manager, Sales Management Center	Hsin-Jung Cheng	The Second Degree	
Director	R.O.C.	Cheng-Tsung Cheng	Male	2019.06.12.	3Years	2014.06.19	0	0	0	0	0	0	0	0	. Bachelor of Japanese Language,Macquarie University	Note 3	None	None	None	None
Director	R.O.C.	Yi-Liang Shih	Male	2019.06.12.	3Years	2016.06.07	6,534	0.00%	7,056	0.00%	0	0	0	0	. Mechanical Department, Nanya Polytechnic	. Executive Senior Manager of Factory Department of Wuxi Paiho Company. . Director of Wuxi Paihong Company	None	None	None	None
Director	R.O.C.	Lien-Fa Tsai	Male	2019.06.12.	3Years	2013.06.20	23,760	0.01%	25,660	0.01%	0	0	0	0	. Bachelor of Accounting, Fu Jen Catholic University . Certified Public Accountant . Vice General Manager, Mega Securities Co. Ltd.	. Vice General Manager, Tripod Technology Co., Ltd.	None	None	None	None
Director	R.O.C.	Shih-Chang Ko	Male	2019.06.12.	3Years	2010.05.07	0	0	0	0	0	0	0	0	. Bachelor of Accounting, National Chung Hsing University . Vice General Manager, Crowe Horwath (TW) CPAs	. Consultant, Crowe Horwath (TW) CPAs.	None	None	None	None

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education & Seceted Past Positions	Current Positions at the Company and Other Companies	Directors and Managerial Officers who are Spouses or Within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Yung-Fu Wu	Male	2019.06.12.	3Years	2010.05.07	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> . Master of Accounting, National Chengchi University . Business Manager, Yuanta Securities . Deputy Manager, Audit Department, KPMG International Cooperative 	<ul style="list-style-type: none"> . Senior manager, Sunspring Metal Co., Ltd. . Supervisor, Sunspring Industrial Co. Ltd. . Supervisor, Sunspring Metal(Zhuhai) Co., Ltd. . Independent Director & member of Compensation Committee, Cosmo Electronics Corporation. . Supervisor, Sunspring Automation Corp. . Independent Director & member of Compensation Committee, Koan Hao Techconology Co.,Ltd. 	None	None	None	None
Independent Director	R.O.C.	Cheng-Chu Lin	Male	2019.06.12.	3Years	2010.05.07	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> . Bachelor of Accounting & Statistics, Overseas College of Business . Bachelor of Economics (incompleted), Feng Chia University . Revenue Officer, Subsection Chief, Section Chief, Chief Secretary, Bureau of Taxation . Outstanding Revenue Agent Award (Ministry of Finance) 	<ul style="list-style-type: none"> . President of Taxation Retired Personnel Association of Changhua County 	None	None	None	None
Independent Director	R.O.C.	Yong-Jen Tsao	Male	2019.06.12.	3Years	2010.05.07	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> . Master of Accounting, SooChow University . Certified Public Accountant . Completed arbitrator training at the Ministry of Justice, Taiwan . Director of EnWise CPAs & Co. 	<ul style="list-style-type: none"> . Partner and Chief Financial Officer of EnWise CPAs & Co. . Independent Director & member of Compensation Committee , Ability Opto-Electronics Technology Co., Ltd. . Independent Director & member of Compensation Committee, Zongtai Real Estate Development Co., Ltd. . Independent Director & member of Compensation Committee, Alfot Technologies Co.,Ltd. . Independent supervisor, YungFa Steel Co., Ltd . Director, Wharton International Consulting Co., Ltd. . Reorganizer of Wintek Corporation 	None	None	None	None

Note 1 : Chairman and General Manager of the Company; Director of Spring Rich Limited.; Director of Paiho Int'l Limited.; Chairman of Dongguan Paiho Textile Limited.; Director of Braits Company Limited.; Director of Wuxi Paisem Chemical Fibre Co.,Ltd.; Chairman and General Manager of Wuxi Paiho Company; Chairman and General Manager of Dongguan Paihong Company; Director of Pai Lon Company; Director of Hong Kong Antex Company; Chairman of Wuxi Paihong Company; Director of Hon Shin Company; Chairman of Vietnam Paihong Company; Chairman of Wuxi Paiwei Company.

Note 2 : Vice General Manager of the Company; Director of Wuxi Paihong Company; Director of Hong Kong Antex Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director of Wuxi Paiho Company; Supervisor of Dongguan Paihong Company; Director of Dongguan Paiho Powder Coating Co.,Ltd.; Supervisor of China Star International Limited.; Director of He Mei Xing Ye Company Ltd.; Director of Vietnam Paiho Limited.; Director of Braits Company Limited.; Director of Wuxi Paiwei Company; Vice General Manager of Wuxi Paiho Company.

Note 3 : Executive Vice General Manager of Sales Department of Taiwan Paiho Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director of Hong Kong Antex Company; Director of Paiho holdings Ltd.; Director of He Mei Xing Ye Company Ltd.; Director of Wuxi Paisem Chemical Fibre Co.,Ltd.; Supervisor of Dongguan Paiho Powder Coating Co.,Ltd.; Director of PT. Paiho Indonesia..

Note 4 : Institutional shareholder holds 162,632,396 shares.(Shareholding Ratio : 51.6%.

Note 5 : The Chairman also assumes the General Manager of the Company concurrently to enhance operating efficiency and smoothen decision-making. In the future, the Company will increase the seats of independent directors, and at least half of them must not be the Company's employees or managerial officers, to meet the legal requirements.

Major Shareholder of the Institutional Shareholder

April 11,2020

Name of the Institutional Shareholder	Major Shareholder
Paiho Int'l Limited	Taiwan Paiho Company

Major Shareholder

April 12,2020

Name	Top 10 Shareholders of Taiwan Paiho Company	Shareholding Ratio
Taiwan Paiho Company	Fubon Life Insurance Co.,Ltd.	7.84%
	Capital Securities (HK) Ltd.	3.94%
	Cathay Life Insurance Co.,Ltd.	3.69%
	China Trust Commercial Bank is custody for Beevest Securities Limited.	3.20%
	Everise Investment Co.,Ltd.	3.12%
	New Labor Pension Fund	2.76%
	Chih-Yu Cheng	2.58%
	Deutsche Bank is custody for Fubon Hyundai Life Insurance.	2.23%
	Cheng-Wei Cheng	1.98%
	Cheng-Tsung Cheng	1.93%

Independent Information of Directors

April 11, 2020

Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Requirements (Note 1)												Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director	
	Requirements	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
Representative of Paiho Int'l Limited. : Kuo-lan C heng	-	-	✓	-	-	-	-	-	-	-	-	-	✓	-	✓	-	None
Chen-Chia Cheng	-	-	✓	-	-	✓	-	-	✓	✓	-	✓	-	✓	✓	None	
Cheng-Tsung Cheng	-	-	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	None	
Yi-Liang Shih	-	-	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	None	
Shih-Chang Ko	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Lien-Fa Tsai	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Yung-Fu Wu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Cheng-Chu Lin	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Yong-Jen Tsao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	

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 Departments and Branch Offices

April 11, 2020

Title	Nationality	Name	Gender	Date Effective	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Kuo-lan Cheng	Male	2006.11.06.	25,554,482	8.11%	631,692	0.20%	0	0	· Chairman of Paiho Shih Holdings Corporation	Note 1	Vice General Manager General Manager Office	Chen-Chia Cheng	The First Degree	Note 4
													Vice General Manager Sales Management Center	Hsin-Jung Cheng	The First Degree	
Vice General Manager General Manager Office	R.O.C.	Chen-Chia Cheng	Male	2015.03.03.	97,263	0.03%	0	0	0	0	· Master of Marketing Management, Griffith University	Note 2	General Manager	Kuo-lan Cheng	The First Degree	None
													Vice General Manager Sales Management Center	Hsin-Jung Cheng	The Second Degree	
Vice General Manager Sales Management Center	R.O.C.	Hsin-Jung Cheng	Male	2015.03.03.	1,038	0.00%	0	0	0	0	· Bachelor of Business (Management), Queensland University of Technology	Note 3	General Manager	Kuo-lan Cheng	The First Degree	None
													Vice General Manager General Manager Office	Chen-Chia Cheng	The Second Degree	
Executive Vice General Manager Manufacturing Management Center	R.O.C.	Chiang-Tong Huang	Male	2004.05.01.	16,188	0.01%	0	0	0	0	· Mechanical Engineering Department , Zen Del Industrial & Commercial Vocational School	· Executive Vice General Manager of Factory Department and R & D Department of Dongguan Paihong Company · Director of Dongguan Paihong Company	None	None	None	Note 5
Executive Vice General Manager Research & Development Management Center																
Vice General Manager Manufacturing Management Center	R.O.C.	Guey-Huei Wang	Male	2018.03.16.	0	0	32,680	0.01%	0	0	· Textile Printing & Chemical Chemistry Department, Van Nung Institute of Technology	· Vice General Manager of Factory Department of Vietnam Paihong Company	None	None	None	None
Vice General Manager Sales Management Center	R.O.C.	Min-Nan Tu	Male	2007.03.01.	28,852	0.01%	0	0	0	0	· MBA ,University of Northern Virginia	· Vice General Manager of Sales Department of Dongguan Paihong Company	Executive Senior Manager Sales Management Center	Wen-Pin Tu	The Second Degree	Note 5
Executive Senior Manager Sales Management Center	R.O.C.	Wen-Pin Tu	Male	2013.10.08.	25,488	0.01%	0	0	0	0	· Mechanical Design Department , Lien Ho Junior College of Technology	· Executive Senior Manager of Sales Department of Dongguan Paihong Company	Vice General Manager Sales Management Center	Min-Nan Tu	The Second Degree	Note 5
Executive Senior Manager Sales Management Center	R.O.C.	Yi-Chang Lin	Male	2011.08.01.	31,282	0.01%	0	0	0	0	· Drafting Department, KaiNan Vocational High School	· Executive Senior Manager of Sales Department of Wuxi Paiho Company	None	None	None	Note 5

Title	Nationality	Name	Gender	Date Effective	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education & Secleted Past Positions	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Executive Senior Manager Research & Development Managememt Center	R.O.C.	Yi-Liang Shih	Male	2011.08.01.	7,056	0.00%	0	0	0	0	· Mechanical Department, Nanya Polytechnic	· Executive Senior Manager of Factory Department of Wuxi Paiho Company · Director of Wuxi Paihong Company	None	None	None	None
Executive Senior Manager Manufacturing Management Center																
Executive Senior Manager Manufacturing Management Center	R.O.C.	Chang-Chieh Liu	Male	2013.10.01.	24,458	0.01%	0	0	0	0	· Electrical Engineering Department , Tungnan Polytechnic	· Executive Senior Manager of Factory Department and R & D Department of Wuxi Paiho Company · Supervisor of Wuxi Paiho Company	None	None	None	Note 5
Executive Senior Manager Research & Development Managememt Center																
Senior Manager General Manager Office	R.O.C.	Hsi-Tung Cheng	Male	2007.03.01.	6,564	0.00%	5,000	0.00%	0	0	· The Affiliated Industrial Vocational High School of NCUE	· Senior Manager of Administration Department of Dongguan Paihong Company	None	None	None	None
Senior Manager Sales Managememt Center	R.O.C.	Chin-Hui Lin	Male	2005.04.01.	67,253	0.02%	0	0	0	0	· Electronic Engineering Department , Southern Taiwan Institute of Technology	· Senior Manager of Sales Department of of Quanzhou Subsidiary of Wuxi Paiho Company	None	None	None	None
Senior Manager Sales Managememt Center	R.O.C.	Yi-Jen Lin	Male	2017.01.01.	0	0	17,280	0.01%	0	0	· Bank & Insurance Department , Overseas College of Business	· Senior Manager of Sales Department of Dongguan Paihong Company	None	None	None	None
Senior Manager Research & Development Managememt Center	R.O.C.	Wen-Sou Yang	Male	2020.01.01.	0	0	0	0	0	0	· Textile Engineering Department, Feng Chia University	· Senior Manager of R & D Department of Wuxi Paiho Company	None	None	None	Note 6
Senior Manager Manufacturing Management Center	R.O.C.	Hsiang-Lun Kung	Male	2015.10.12.	12,352	0.00%	32,203	0.01%	0	0	· Mechanical Department, Dan Yung Senior Industrial Vocational School	· Senior Manager of Hightec Jacquard Factory Department and R & D Department of Dongguan Paihong Company	None	None	None	None
Senior Manager Research & Development Managememt Center																
Senior Manager Sales Managememt Center	R.O.C.	Su-Fen Huang	Female	2019.06.01.	0	0	0	0	0	0	· Economics Department, Tamkang University	· Senior Manager of Sales Department of Vietnam Paihong Company	None	None	None	None
Senior Manager Financial Management Center	R.O.C.	Mei-Hui Lin	Female	2008.09.26.	18,058	0.01%	0	0	0	0	· Bachelor of Business, National Open University	· Senior Manager of Financial Department of Wuxi Paiho Company · Supervisor of Wuxi Paiho Company and Wuxi Paihong Company	None	None	None	None
Accounting Manager Financial Management Center	R.O.C.	Yu-Min Chang	Female	2007.03.30.	8,404	0.00%	0	0	0	0	· Bachelor of Business Education, National Changhua University of Education	· Accounting Manager of Pai Lon Company · Director of Vietnam Paihong Company	None	None	None	None
Manager Audit Office	R.O.C.	Shu-Ling Huang	Female	2008.09.26.	10,083	0.00%	0	0	0	0	· Bachelor of Accounting, Providence University	None	None	None	None	None

Note 1 : Chairman and General Manager of the Company; Director of Spring Rich Limited.; Director of Paiho Int'l Limited.; Director of Dongguan Paiho Textile Limited.; Director of Braits Company Limited.; Director of Wuxi Paisem Chemical Fibre Co.,Ltd.; Chairman and General Manager of Wuxi Paiho Company; Chairman and General Manager of Dongguan Paihong Company; Director of Pai Lon Company ; Director of Hong Kong Antex Company; Chairman of Wuxi Paihong Company; Director of Hon Shin Company; Chairman of Vietnam Paihong Company; Chairman of Wuxi Paiwei Company.

Note 2 : Vice General Manager of the Company; Director of Wuxi Paihong Company; Director of Hong Kong Antex Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director of Wuxi Paiho Company; Supervisor of Dongguan Paihong Company; Director of Dongguan Paiho Powder Coating Co.,Ltd.; Supervisor of China Star International Limited.; Director of He Mei Xing Ye Company Ltd.; Director of Vietnam Paiho Limited.; Director of Braits Company Limited.; Director of Wuxi Paiwei Company; Vice General Manager of Wuxi Paiho Company.

Note 3 : Vice General Manager of Sales Management Center of the Company; Director of Taiwan Paiho Company; Director of Paiho Group Company; Director of Paiho holdings Ltd.; Chairman of China Star International Limited.; Chairman of Dongguan Paiho Powder Coating Co.,Ltd.; Chairman of Wuxi Paisem Chemical Fibre Co.,Ltd.; Vice General Manager of Dongguan Paihong Company; Supervisor of Vietnam Paihong Company.

Note 4 : The Chairman also assumes the General Manager of the Company concurrently to enhance operating efficiency and smoothen decision-making. In the future, the Company will increase the seats of independent directors, and at least half of them must not be the Company's employees or managerial officers, to meet the legal requirements.

Note 5 : Mr. Chiang-Tong Huang, Mr. Min-Nan Tu, Mr. Wen-Pin Tu, Mr. Yi-Chang Lin, and Mr. Chang-Chieh Liu were promoted on January 1, 2020.

Note 6 : Mr. Wen-Sou Yang took office on January 1, 2020.

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

1. Remuneration Paid to Directors

December 31, 2019 : Unit : NT\$ thousands

Title	Name	Directors' Remuneration								(A+B+C+D) as% of Net Profit (Note 2)		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 2)		Other Compensations from Non-consolidated Affiliates or Parent Company (H)
		Salary(A)		Pension (B)		Directors' Profit Distribution (C)(Note 1)		Allowance (D)				Salary, Bonus and Special Fees etc. (E)		Pension (F)		Employees' Profit Distribution (G) (Note 1)						
		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	Consolidated Entities	The Company	Consolidated Entities	Cash	Stock	Cash	Stock	
Director	Paiho Int'l Limited	1,766	1,766	0	0	2,985	2,985	0	0	1.32%	1.32%	0	55,176	0	0	457	0	457	0	1.45%	16.8%	5,639
Director	Kuo-lan Cheng (Representative of Paiho Int'l Limited)																					
Director	Taiwan Paiho Company																					
Director	Chih-Yu Cheng (Representative of Taiwan Paiho Company)																					
Director	Chen-Chia Cheng																					
Director	Cheng-Tsung Cheng																					
Director	Yi-Liang Shih																					
Director	Shih-Chang Ko																					
Director	Lien- Fa Tsai																					
Independent Director	Yung-Fu Wu	1,669	1,669	0	0	105	105	0	0	0.49%	0.49%	0	0	0	0	0	0	0	0	0.49%	0.49%	None
Independent Director	Cheng-Chu Lin																					
Independent Director	Yong-Jen Tsao																					

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

Note 2 : Net profit of 2019 financial statements is NT\$ 359,353 thousand.

Note 3 : Mr. Chih-Yu Cheng, representative of Taiwan Paiho Company, was dismissed on June 12, 2019.

Note 4 : Independent directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent: The Board of Directors is authorized to determine the remuneration of independent directors which will be paid on a monthly basis, according to the level of their participation in the Company's operations, the value of their contribution and the standard payment level of the industry. Also, the attendance remuneration is calculated based on the attendance rate.

Note 5 : Other than disclosure in the above table, directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the 2019 financial statements: None.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Aggregate amount of the preceding four remuneration items (A+B+C+D)		Remuneration Items (A+B+C+D+E+F+G+H)	
	The Company	Consolidated Entities	The Company	From All Consolidated Entities, Non-consolidated Affiliates, and Parent Company
Less than NT\$ 1 million	None	None	None	None
NT\$ 1 million (included) ~ \$ 2 million (excluded)	Taiwan Paiho Company Chih-Yu Cheng(Representative of Taiwan Paiho Company) Kuo-lan Cheng(Representative of Paiho Int'l Limited.) Chen-Chia Cheng Cheng-Tsung Cheng Yi-Liang Shih Shih-Chang Ko Lien- Fa Tsai Yung-Fu Wu Cheng-Chu Lin Yong-Jen Tsao	Taiwan Paiho Company Chih-Yu Cheng(Representative of Taiwan Paiho Company) Kuo-lan Cheng(Representative of Paiho Int'l Limited.) Chen-Chia Cheng Cheng-Tsung Cheng Yi-Liang Shih Shih-Chang Ko Lien- Fa Tsai Yung-Fu Wu Cheng-Chu Lin Yong-Jen Tsao	Taiwan Paiho Company Chih-Yu Cheng(Representative of Taiwan Paiho Company) Kuo-lan Cheng (Representative of Paiho Int'l Limited.) Chen-Chia Cheng Cheng-Tsung Cheng Yi-Liang Shih Shih-Chang Ko Lien- Fa Tsai Yung-Fu Wu Cheng-Chu Lin Yong-Jen Tsao	Taiwan Paiho Company Chih-Yu Cheng(Representative Of Taiwan Paiho Company) Cheng-Tsung Cheng Shih-Chang Ko Lien- Fa Tsai Yung-Fu Wu Cheng-Chu Lin Yong-Jen Tsao
NT\$ 2 million (included) ~ \$ 3.5million (excluded)	Paiho Int'l Limited.	Paiho Int'l Limited.	Paiho Int'l Limited.	Paiho Int'l Limited.
NT\$ 3.5 million (included) ~ \$ 5 million (excluded)	None	None	None	None
NT\$ 5 million (included) ~ \$10 million (excluded)	None	None	None	Yi-Liang Shih
NT\$10 million (included) ~ \$ 15 million (excluded)	None	None	None	Chen-Chia Cheng
NT\$15 million (included) ~ \$ 30 million (excluded)	None	None	None	None
NT\$30 million (included) ~ \$ 50 million (excluded)	None	None	None	Kuo-lan Cheng(Representative of Paiho Int'l Limited.)
NT\$50 million (included) ~ \$100 million (excluded)	None	None	None	None
Above NT\$100 million	None	None	None	None
Total	10 people	10 people	10 people	10 people

2. Remuneration Paid to Supervisors : The Company does not have a supervisor, so It's not applicable.

3. Remuneration Paid to the General Manager and Vice General Managers

December 31, 2019 ; Unit : NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonus and Special Fees etc. (C)		Employee's Profit Distribution (D) (Note2)				(A+B+C+D) as % of Net Profit (Note 1)		Other Compensations from Non-consolidated Affiliates or Parent Company (E)
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Kuo-lan Cheng	0	11,692	0	0	0	60,450	628	0	628	0	0.17%	20.25%	5,639
Vice General Manager General Manager office	Chen-Chia Cheng													
Vice General Manager Sales Management Center	Hsin-Jung Cheng													
Vice General Manager Manufacturing Management Center	Chiang-Tong Huang													
Vice General Manager Research & Development Management Center														
Vice General Manager Manufacturing Management Center	Guey-Huei Wang													

Note 1 : Net profit of 2019 financial statements is NT\$ 359,353 thousand.

Note 2 : Employees' profit distribution are based on the proposal approved by the Board of Directors.

Range of Remuneration

Range of Remuneration	Name of General Manager and Vice General Managers	
	The Company (A+B+C+D)	From All Consolidated Entities, Non-consolidated Affiliates, and Parent Company (A+B+C+D+E)
Less than NT\$ 1 million	Kuo-lan Cheng Chen-Chia Cheng Hsin-Jung Cheng Chiang-Tong Huang Guey-Huei Wang	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)	None	Chiang-Tong Huang Guey-Huei Wang
NT\$10 million (included)~ \$ 15 million (excluded)	None	Hsin-Jung Cheng Chen-Chia Cheng
NT\$15 million (included)~ \$ 30 million (excluded)	None	None
NT\$30 million (included)~ \$ 50 million (excluded)	None	Kuo-lan Cheng
NT\$50 million (included)~ \$100 million (excluded)	None	None
Above NT\$100 million	None	None
Total	5 people	5 people

3.2.4 Separately Compare and Describe 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, etc. and Analyze and Describe Remuneration Policies, Standards, and Packages, the Procedure for Determining Remuneration, and Its Linkage to Operating Performance and Future Risk Exposure

1. 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

Unit : NT\$ thousands; %

Item	2019				2018			
	Amount		Ratio of Total Amount to Net Profit		Amount		Ratio of Total Amount to Net Profit	
	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	6,982	62,158	1.94%	17.29%	7,032	58,770	2.21%	18.49%
General Manager and Vice General Managers	628	72,770	0.17%	20.25%	420	67,467	0.13%	21.23%

2. Policy, Standard, and Combination for Payment of Remuneration, Establishment of Procedure of Remuneration, and Correlation between the Business Performance and Future Risk

(1) According to the Articles of Association of the Company : The directors shall receive such remuneration as proposed by the Compensation Committee in accordance with the value of contribution of the director in the business operation of the Company, with reference to the average standard in the industry, performance of the Company and the reasonableness and relevancy of future risks, no matter the Company profits or losses at such year, and thereafter submitted for approval by the Board of Directors. Furthermore, according to Articles of Association of the Company : The Company may allocate directors' profit distribution no more than 3% of profit before income tax before deduction of directors' and employees'

profit distribution in the year to pay to the directors in cash.

- (2) Managers' compensation of the Company is according to the Articles of Association of the Company : Employees' compensation in cash or shares shall not lower than 1% of the profit before income tax before deduction of directors' and employees' profit distribution in the year. Employees' compensation shall be distributed to the employees of the Company and its affiliates qualifying for a certain criterion. In addition, the general manager, vice general managers, and managerial officers bear the responsibility for the execution of management and operation of the Company, and the remuneration including the wages, bonuses, etc. are issued according to the contribution, years of service, and operational performance along with the standard adopted in the same industry locally. The Company shall consider comprehensively to pay reasonable salaries in accordance with the "Managerial Officers Salary Standard".
- (3) The ratio of the remuneration of directors and general manager as well as vice general managers to net profit in 2019 was lower than that of the 2018 due to the profit increase in 2019 from the year of 2018 arising from the development of new products and expansion of application.

3.2.5 Profit Distribution to Managerial Officers

Dec 31,2019 Unit : NT\$ thousands

	Title	Name	Amount of stock	Amount of cash	Total	Ratio of Total Amount to Net Profit (Note 1)
Manager	General Manager	Kuo-lan Cheng	0	1,723	1,723	0.48%
	Vice General Manager General Manager office	Chen-Chia Cheng				
	Vice General Manager Sales Management Center	Hsin-Jung Cheng				
	Vice General Manager Manufacturing Management Center	Chiang-Tong Huang				
	Vice General Manager Research & Development Management Center					
	Vice General Manager Manufacturing Management Center	Guey-Huei Wang				
	Executive Senior Manager Research & Development Management Center	Yi-Liang Shih				
	Executive Senior Manager Manufacturing Management Center					
	Senior Manager General Manager office	Hsi-Tung Cheng				
	Senior Manager Sales Management Center	Chin-Hui Lin				
	Executive Senior Manager Sales Management Center	Min-Nan Tu				
	Senior Manager Sales Management Center	Wen-Pin Tu				
	Senior Manager Sales Management Center	Yi-Jen Lin				
	Senior Manager Sales Management Center	Yi-Chang Lin				
	Senior Manager Sales Management Center	Su-Fen Huang				
	Senior Manager Manufacturing Management Center	Chang-Chieh Liu				
	Senior Manager Research & Development Management Center					
	Senior Manager Manufacturing Management Center	Hsiang-Lun Kung				
	Senior Manager Research & Development Management Center					
	Senior Manager Financial Management Center	Mei-Hui Lin				
	Accounting Manager Financial Management Center	Yu-Min Chang				
	Manager Audit Office	Shu-Ling Huang				

Note 1 : Net profit of 2019 financial statements is NT\$ 359,353 thousand.

Note 2 : Employees' profit distribution are based on the proposal approved by the Board of Directors.

3.3 The State of the Company's Implementation of Corporate Governance

3.3.1 The State of Operations of the Board of Directors

1. 7(A) Meetings of the Board of Directors were Held in 2019. 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	Representative of Paiho Int'l Limited. : Kuo-lan Cheng	7	0	100.0	Renewal of office on June 12,2019.
Director	Representative of Taiwan Paiho Company : Chih-Yu Cheng	2	0	66.7	Mr.Chih-Yu Cheng, representative of Taiwan Paiho Company, was dismissed on June 12,2019 and should attend three Board meetings.
Director	Chen-Chia Cheng	6	0	85.7	Renewal of office on June 12,2019.
Director	Cheng-Tsung Cheng	6	0	85.7	Renewal of office on June 12,2019.
Director	Shih-Chang Ko	7	0	100.0	Renewal of office on June 12,2019.
Director	Lien-Fa Tsai	6	0	85.7	Renewal of office on June 12,2019.
Director	Yi-Liang Shih	7	0	100.0	Renewal of office on June 12,2019.
Independent Director	Yung-Fu Wu	7	0	100.0	Renewal of office on June 12,2019.
Independent Director	Cheng-Chu Lin	7	0	100.0	Renewal of office on June 12,2019.
Independent Director	Yong-Jen Tsao	7	0	100.0	Renewal of office on June 12,2019.

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

A. Matters prescribed under article 14-3 of the "Securities and Exchange Act" :

Meeting Dates and Sessions in 2019	Contents of Resolutions	Opinions of All Independent Directors, and the Company's Response to the Opinions of Independent Directors
2019 18 th meeting of the 4 th Board March 14	1. To make endorsements/guarantees for its affiliates.	Approved by all independent directors.
	2. Amendments to "Procedures for Acquisition or Disposal of Assets".	
	3. Amendments to "Procedures for Financial Derivatives Transactions".	
	4. Amendments to "Operational Procedures for Loaning of Company Funds".	
	5. Amendments to "Regulation Governing Making of Endorsements / Guarantees".	
	6. 2018 retained earnings transferred to common stock.	
	7. The Loan of Funds to its affiliates.	
	8. To increase the capital of Vietnam Paihong Company.	
2019 19 th meeting of the 4 th Board May 2	1. To make endorsements/guarantees for its affiliates.	Approved by all independent directors.
	2. Amendments to "Operational Procedures for Loaning of Company Funds".	
	3. The assessment of the independence and competency of the certified public accountants.	
	4. 2019 CPAs' audit fees.	
	5. The Loan of Funds to its affiliates.	
	6. The list of candidates for directors (including independent directors).	Candidates for directors (including independent directors) are active directors (including independent directors) of the Company. In order to avoid any conflict of interest, they had themselves recused from participating in the discussion and resolution of the proposal. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.

Meeting Dates and Sessions in 2019	Contents of Resolutions	Opinions of All Independent Directors, and the Company's Response to the Opinions of Independent Directors
	<p>7. To lift directors and their representatives of the non-competition restrictions.</p>	<p>A board meeting was held to relieve the non-competition restrictions on Directors Kuo-lan Cheng, Chen-Chia Cheng, Cheng-Tsung Cheng, Yi-Liang Shih, and Yong-Jen Tsao. In order to avoid any conflict of interest, the five directors had themselves recused from participating in the discussion and resolution of the proposal. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.</p>
<p>2019 1st meeting of the 5th Board June 20</p>	<p>1. Retained earnings transferred to common stock and cash dividends.</p>	<p>Approved by all independent directors.</p> <p>Directors Yung-Fu Wu, Cheng-Chu Lin, and Yong-Jen Tsao are active independent directors of the Company. In order to avoid any conflict of interest, they had themselves recused from participating in the discussion and resolution of the proposal. After the meeting chairman's enquiry, all other attending directors passed the proposal without objection.</p>
	<p>2. To make endorsements/guarantees for its affiliates.</p>	
	<p>3. The land acquisition by Vietnam Paihong Company.</p>	
	<p>4. The Loan of Funds to its affiliates.</p>	
	<p>5. The review of the qualifications of members of the 4th Compensation Committee.</p>	

Meeting Dates and Sessions in 2019	Contents of Resolutions	Opinions of All Independent Directors, and the Company's Response to the Opinions of Independent Directors
2019 2 nd meeting of the 5 th Board August 12	1. To make endorsements/guarantees for its affiliates.	Approved by all independent directors.
2019 3 rd meeting of the 5 th Board November 7	1. To make endorsements/guarantees for its affiliates.	Approved by all independent directors.
	2. To increase the capital of Wuxi Paihong Company in cash.	
2019 4 th meeting of the 5 th Board December 24	1. To make endorsements/guarantees for its affiliates.	Approved by all independent directors.
	2. The change of CPAs in response to the business arrangement of Deloitte Taiwan.	
	3. Proposed revision of some of the operations and provisions of the Group's "Internal Control System".	
	4. The salary adjustments of managerial officer.	
	5. Distribution of 2019 estimated bonus of managerial officers.	
	6. The Loan of Funds to its affiliates.	

B. 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

Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
Representative of Paiho Int'l Limited. : Kuo-lan Cheng Shih-Chang Ko Lien-Fa Tsai Chen-Chia Cheng Yi-Liang Shih Cheng-Tsung Cheng Yung-Fu Wu Cheng-Chu Lin Yong-Jen Tsao	On May 2, 2019, the Board of Directors resolved the list of candidates for directors (including independent directors).	Nine directors are active directors (including independent directors) of the Company. In order to avoid any conflict of interest, they had themselves recused from participating in the discussion and resolution of the proposal.
Representative of Paiho Int'l Limited. : Kuo-lan Cheng Chen-Chia Cheng Yi-Liang Shih Cheng-Tsung Cheng Yong-Jen Tsao	On May 2, 2019, the Board of Directors resolved to lift directors and their representatives of the non-competition restrictions.	A board meeting was held to relieve the non-competition restrictions on five directors. In order to avoid any conflict of interest, the five directors had themselves recused from participating in the discussion and resolution of the proposal.
Yung-Fu Wu Cheng-Chu Lin Yong-Jen Tsao	On June 20, 2019, the Board of Directors resolved the review of the qualifications of members of the 4th Compensation Committee.	Directors Yung-Fu Wu, Cheng-Chu Lin, and Yong-Jen Tsao are active independent directors of the Company. In order to avoid any conflict of interest, they had themselves recused from participating in the discussion and resolution of the proposal.
Representative of Paiho Int'l Limited : Kuo-lan Cheng Chen-Chia Cheng Yi-Liang Shih	<ol style="list-style-type: none"> 1. On December 24, 2019, the Board of Directors resolved the salary adjustments of managerial officer. 2. On December 24, 2019, the Board of Directors resolved distribution of 2019 estimated bonus of managerial officers. 	Directors Kuo-lan Cheng, Chen-Chia Cheng, and Yi-Liang Shih are also managerial officers of the Company. In order to avoid any conflict of interest, the three directors had themselves recused from participating in the discussion and resolution of the proposal.

(3) Strengthening the objectives and performance of the Board of Directors in the current year and the recent year

The Company has established an Audit Committee and a Compensation Committee, which are concurrently chaired by the three independent directors of the Company. The Board of Directors and the Audit Committee of the Company do periodically invite the Certified Public accountants (CPAs) to attend the meetings to provide suggestions every year. The CPAs report to the Audit Committee on the results of the audit (review). On December 24, 2019, the Board of Directors of the Company approved the "2020 Annual Operating Plan" and "2020 Internal Control Annual Audit Plan" as the annual operation and auditing objectives to strengthen the performance of the Board of Directors of the Company. In addition, the Company obtained the top 36% to the top 50% rating in the 6th (2019) "Corporate Governance Evaluation" and had disclosed the corporate governance-related information on the Company's website; also, provided Shareholders' Meeting-related information and the annual financial report in English version, which were disclosed on the Company's website and Market Observation Post System.

3.3.2 The Composition, Duties and Operational Status of the Audit Committee

1.The Company's Audit Committee is Composed of 3 Independent Directors, Aims to Assist the Board to Boost Performance of Corporate Governance . The Main Responsibility is :

- (1)The adoption or amendments to the internal control system, the assessment of the effectiveness of the internal control system, and 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.
- (2)Matters in which a director is an interested party.
- (3)Asset transactions or derivatives trading of a material nature, and loans of funds, endorsements, or provision of guarantees of a material nature.
- (4)The offering, issuance, or private placement of equity-type securities.
- (5)The hiring or dismissal of a certified public accountant, or their compensation, and the appointment or discharge of a financial, accounting, or internal audit officer.
- (6)Annual financial reports and second quarter financial reports that must be audited and attested by CPAs, which are signed or sealed by the chairman, managerial officer, and accounting officer.
- (7)Other material matters as may be required by the Company or by the competent authority.

2.The Operational Status of the Audit Committee

(1) 7 (A) meetings of Audit Committee were held in 2019. The attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person(%) (B/A)	Note
Independent Director	Yung-Fu Wu	7	0	100.0	Renewal of office on June 12,2019.
Independent Director	Cheng-Chu Lin	7	0	100.0	Renewal of office on June 12,2019.
Independent Director	Yong-Jen Tsao	7	0	100.0	Renewal of office on June 12,2019.

(2)Other matters to be noted

A. 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:

(a)Matters prescribed under Article 14-5 of the "Securities and Exchange Act" :

Meeting Dates and Sessions in 2019	Matters prescribed under Article 14-5 of the "Securities and Exchange Act"	Resolution of the Audit Committee and the Company's Response to the Opinions of the Audit Committee
2019 18 th meeting of the 4 th Board March 14	<ol style="list-style-type: none"> 1. To make endorsements/guarantees for its affiliates. 2. The Company's 2018 Business Report, Financial Statements and Consolidated Financial Statements. 3. 2018 Statement of Internal Control System. 4. Amendments to "Procedures for Acquisition or Disposal of Assets". 5. Amendments to "Procedures for Financial Derivatives Transactions". 6. Amendments to "Operational Procedures for Loaning of Company Funds". 7. Amendments to "Regulation Governing Making of Endorsements / Guarantees". 8. 2018 retained earnings transferred to common stock. 9. The Loan of Funds to its affiliates. 10. To increase the capital of Vietnam Paihong Company. 	Approved by all members of the Audit Committee.
2019 19 th meeting of the 4 th Board May 2	<ol style="list-style-type: none"> 1. To make endorsements/guarantees for its affiliates. 2. Amendments to "Operational Procedures for Loaning of Company Funds". 3. The assessment of the independence and competency of the certified public accountants. 4. 2019 CPAs' audit fees. 5. The Loan of Funds to its affiliates. 6. To lift directors and their representatives of the non-competition restrictions. 	<p>Approved by all members of the Audit Committee.</p> <p>Audit Committee resolution: The non-competition restrictions on Director Yong-Jen Tsao was relieved. Director Tsao had himself recused from participating in the discussion and resolution</p>

Meeting Dates and Sessions in 2019	Matters prescribed under Article 14-5 of the "Securities and Exchange Act"	Resolution of the Audit Committee and the Company's Response to the Opinions of the Audit Committee
		<p>of the proposal. After the meeting chairman's enquiry, all other attending independent directors passed the proposal without objection.</p> <p>The Company's handling of the opinions of Audit Committee members: Relief of the non-competition restrictions on Director Yong-Jen Tsao and the other four directors. In order to avoid any conflict of interest, the five directors had themselves recused from participating in the discussion and resolution of the proposal. After the (acting) meeting chairman's enquiry, all other attending directors passed the proposal without objection.</p>
2019 1 st meeting of the 5 th Board June 20	<ol style="list-style-type: none"> 1. Retained earnings transferred to common stock and cash dividends. 2. To make endorsements/guarantees for its affiliates. 3. The land acquisition by Vietnam Paihong Company. 4. The Loan of Funds to its affiliates. 	Approved by all members of the Audit Committee.
2019 2 nd meeting of the 5 th Board August 12	<ol style="list-style-type: none"> 1. To make endorsements/guarantees for its affiliates. 	Approved by all members of the Audit Committee.
2019 3 rd meeting of the 5 th Board November 7	<ol style="list-style-type: none"> 1. To make endorsements/guarantees for its affiliates. 2. To increase the capital of Wuxi Paihong Company in cash. 	Approved by all members of the Audit Committee.
2019 4 th meeting of the 5 th Board December 24	<ol style="list-style-type: none"> 1. To make endorsements/guarantees for its affiliates. 2. The change of CPAs in response to the business arrangement of Deloitte Taiwan. 	Approved by all members of the Audit Committee.

Meeting Dates and Sessions in 2019	Matters prescribed under Article 14-5 of the "Securities and Exchange Act"	Resolution of the Audit Committee and the Company's Response to the Opinions of the Audit Committee
	3. Proposed revision of some of the operations and provisions of the Group's "Internal Control System".	
	4. The Loan of Funds to its affiliates.	

(b) 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.

B. 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:

Name of independent Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
Yong-Jen Tsao	On May 2, 2019, the Audit Committee resolved to lift directors and their representatives of the non-competition restrictions.	Director Yong-Jen Tsao is a active independent director of the Company. To avoid conflicts of interest, he had himself recused from participating in the discussion and resolution of the proposal.

C. 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.):

(a) The Audit Officer regularly reports on the implementation of the auditing operation on a quarterly basis to the Audit Committee. Special circumstances, if any, will be reported to the Audit Committee members immediately. There were no special circumstances that occurred in 2019. The Audit Committee of the Company communicated well with the audit officer .

(b) The CPAs attended the Audit Committee meetings on March 14, 2019 and March 19, 2020 to report the results of the financial statements review (audit)

and to communicate other related legal requirements. They also reported on special circumstances, if any, to the Audit Committee members immediately. There were no special circumstances that occurred in 2019. The Audit Committee of the Company communicated well with the CPAs.

The communications between the independent directors and CPAs are listed in the table below.

Audit Committee Meeting Dates	Items of Communication	Results of Communication
March 14,2019	<ol style="list-style-type: none"> 1. The CPA explained the audit results of the 2018 consolidated financial statements and initiated a discussion on the audit findings. 2. The CPA discussed and communicated with the members of the Audit Committee and participants on the issues they consulted. 	<p>Independent directors raised no objection. After the passage of the Audit Committee, the 2018 consolidated financial statements were submitted to the Board of Directors for resolution.</p>
March 19,2020	<ol style="list-style-type: none"> 1. The CPA explained the audit results of the 2019 consolidated financial statements and initiated a discussion on the audit findings. 2. The CPA discussed and communicated with the members of the Audit Committee and participants on the issues they consulted. 	<p>Independent directors raised no objection. After the passage of the Audit Committee, the 2019 consolidated financial statements were submitted to the Board of Directors for resolution.</p>

The communications between the independent directors and the internal audit officer are listed in the table below.

Audit Committee Meeting Dates	Items of Communication	Results of Communication
March 14,2019	<ol style="list-style-type: none"> 1. The Internal Auditor's report for Oct.-Dec. 2018. 2. Matters related to the deficiencies of internal audit in 2018 and improvements. 	<p>Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.</p>

Audit Committee Meeting Dates	Items of Communication	Results of Communication
March 14,2019	3. 2018 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.
May 2,2019	The Internal Auditor's report for Jan.-Mar. 2019.	Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.
August 12,2019	The Internal Auditor's report for Apr.-Jun. 2019.	Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.
November 7,2019	The Internal Auditor's report for Jul.-Sep. 2019.	Independent directors raised no objection. Reported to the Board of Directors after reporting to the Audit Committee.
December 24,2019	<ol style="list-style-type: none"> 1. Proposed revision of some of the operations and provisions of the Group's "Internal Control System". 2. The Group's 2020 internal control audit plan. 	Independent directors raised no objection. Submitted to the Board of Directors for resolution after the passage of the Audit Committee.

3.3.3 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	
I. 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 established the “Corporate Governance Best Practice Principles” and has disclosed such principles on the website of the Company and the Market Observation Post System.	No major difference.
II. Equity structure and shareholders’ equity i. Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, concerns, disputes and litigations, and implement based on the procedure? ii. Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? iii. Does the Company establish and execute the risk management and firewall system within its between the Company and its affiliates ? iv. Does the Company establish internal rules against insiders trading with undisclosed information?	✓ ✓ ✓ ✓		i. The internal control system of the Group is established with the responsible matters for the shareholder services department, and the Group entrusts dedicated shareholder services agent “The Transfer Agency Department of CTBC Bank” to handle shareholder service affairs. The Company also establishes an office in Taiwan, and the spokesman and deputy spokesman handle the shareholders’ proposals, etc. ii. The Company obtains and updates the shareholding status of the directors, managerial officers, and shareholders with shareholding percentage above 10%. iii. The management authorities of the Company and affiliates are clearly defined, and the cooperate business dealings are executed according to relevant regulations of the internal control system of the Company.	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	
			iv. The Group establishes the "Procedures for Handling Material Inside Information" and "Codes of Ethical Conduct" in order to regulate the internal personnel to perform duties with ethics and to fulfill the non-disclosure obligation in order to prevent the pursuit of personal gains.	No major difference.
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>i. Does the Board develop and implement a diversified policy for the composition of its members?</p> <p>ii. Does the Company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?</p> <p>iii. 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?</p> <p>iv. Does the Company regularly evaluate the independence of CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>i. The Company specifies in the "Procedures for Governing the Election of Directors" and "Corporate Governance Best Practice Principles" that the composition of the Board of Directors shall be determined by taking diversity into consideration, and shall establish an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs, which will be formulated and include, without being limited to, the following two general standards: 1. Basic Requirements and Values: Gender, age, nationality, and culture, etc. 2. Professional Knowledge and Skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience, etc. Furthermore, the members of the directors should generally have the ability to perform their duties as follows: 1. Operation judgment ability, 2. Accounting and financial analysis ability, 3. Business management ability, 4. Crisis handling ability, 5. Industry knowledge, 6. International market outlook, 7. Leadership ability, 8. Decision-making ability.</p> <p>The members of the directors of the Company are equipped with professional knowledge, skills, and</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	
			<p>industry experience, etc. In addition, the Company has considered the appropriate diverse composition of members including but not limited to age, gender, and background, etc., in order to provide excellent recommendations and assistance to the business development of the Company. (Please refer to Note 1 (Page 54))</p> <p>The ratio of directors equipped with the identity of employees of the Company accounts for 30% of all directors, the ratio of independent directors' accounts for 30% of all directors. The number of service years of independent directors in the Company is between 8-9 years. There is one director above 70 years old, three directors ages 60-69 years old, and five directors under 60 years old.</p> <p>ii. Presently, the Company has established the Compensation Committee and the Audit Committee. In the future, the Company will further plan other types of functional committees depending upon the needs of business development.</p> <p>iii. The Company has established the "Regulations for Payment of Remuneration of Directors" in order to evaluate the individual performance and contribution of each director for the previous year annually according to different aspects of corporate business participation level of each director. The Company also has established the "Regulations for Performance Evaluation of the Board of Directors and Functional Committees" to enhance the operating efficiency of the Board of Directors. The Company will submit a report on the results of Board of Directors performance assessments as well as those of</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										
			<p>individual directors on an annual basis, and use the results of performance assessments as a reference for selecting or nominating directors, and the results of performance assessments of individual directors for determining the remuneration of individual directors.</p> <p>iv. In the Audit Committee meeting and the Board of Directors' meeting dated on May 2, 2019, the Company approved the assessment of the independence and competency of the CPAs. CPAs do not assume any positions of directors or shareholders of the Company or receiving any salary from the Company, and they are confirmed to be non-stakeholders of the Company. CPAs of the Company have recused themselves from being a director or indirect conflicts in the entrusted matters and themselves. The rotation of CPAs also complies with relevant regulations. CPAs and the audit team have issued the "Confirmation of independence" to the Board of Directors of the Company for review. (Please refer to the following table for details.)</p> <table border="1"> <thead> <tr> <th>Assessment Item</th> <th>Assessment Result</th> <th>Whether it is Equipped with Independence</th> </tr> </thead> <tbody> <tr> <td>1. Are the CPAs directly or indirectly related to material financial benefits of the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Are the CPAs in a business relationship with the Company or directors, supervisors, or managerial officers such that the independence thereof can be affected?</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment Item	Assessment Result	Whether it is Equipped with Independence	1. Are the CPAs directly or indirectly related to material financial benefits of the Company?	No	Yes	2. Are the CPAs in a business relationship with the Company or directors, supervisors, or managerial officers such that the independence thereof can be affected?	No	Yes	No major difference.
Assessment Item	Assessment Result	Whether it is Equipped with Independence											
1. Are the CPAs directly or indirectly related to material financial benefits of the Company?	No	Yes											
2. Are the CPAs in a business relationship with the Company or directors, supervisors, or managerial officers such that the independence thereof can be affected?	No	Yes											

Assessment Item	Operation Status				Discrepancies With the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons	
	Yes	No	Summary Description			
			3. Do the CPAs as well as their spouses and dependents assume the positions of directors, supervisors, or managerial officers or job positions in direct relation with and having major impacts on the auditing work?	No	Yes	
			4. Are the CPAs a spouse or in a direct relative, direct relationship by marriage, or second-degree relative, etc. with the directors, supervisors, or managerial officers of the Company?	No	Yes	
			5. Do the CPAs receive gifts or presents of significant value from the Company or directors, supervisors, managerial officers, or major shareholders?	No	Yes	
IV. 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 meetings of shareholders, and creation of the minutes of such meetings,etc)?	✓		The corporate governance department of the Company is the Financial Management Center, which is responsible for providing documents necessary for directors to execute their duties, handling matters related to Board of Directors' meeting and Shareholders' Meeting, handling company registration and alternation registration, and preparation of meeting minutes of the Board of Directors' meeting and Shareholders' Meeting.			The Company will have it handled in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.

Assessment Item	Operation Status			Discrepancies With the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Description	
V. 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 establishes a spokesman, deputy spokesman, and has disclosed their contact telephone and email address on the Company's website (https://www.paiho.cn), and annual report and prospectus, etc. in order to establish a communication channel with stakeholders. In addition, the Company's website sets up the "Stakeholders Section", and forms relevant departments depending upon the issues of concern of stakeholders in order to establish communication channels with stakeholders.	No major difference.
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company entrusts the Transfer Agency Department of CTBC Bank to handle Shareholders' Meeting affairs, and such Registrar Agency complies with the qualification for handling shareholders service agency matters according to the laws of the R.O.C.	No major difference.
VII. Information Disclosure i. Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? ii. 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	✓ ✓		i. The Company establishes the "Investor Relationship" of the Company's website in order to disclose complete financial and business information, including corporate governance, revenue information, financial statements, and Shareholders' Meetings, etc. In addition, the website also includes the English version of the Company Profile, Product Introduction, and "Investor Relationship". In addition, the website is linked to the "Market Observation Post System" (MOPS) in order to provide information as a reference to shareholders and the	No major difference. The Company will have it handled in accordance with the "Corporate Governance

Assessment Item	Operation Status			Discrepancies With the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Description	
<p>spokesman system, webcasting investor conferences)?</p> <p>iii 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?</p>		✓	<p>general public in society.</p> <p>ii. The Company designates dedicated personnel to be responsible for the disclosure of material information and the input of such information on the MOPS for timely announcement. Furthermore, the Company organizes an Investor Conference annually, and lists it on the Company's website.</p> <p>iii. Presently, the Company has announced its quarterly financial reports and operation status according to the time limit of laws.</p>	Best Practice Principles for TWSE/TPEX Listed Companies" and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.
VIII. 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)?	✓		<p>i. Employee Rights and Benefits: The Company rigorously complies with labor related laws, and establishes an employee union in order to protect the legitimate rights and benefits of employees.</p> <p>ii. Employee Care: Through an appropriate welfare system for stabilizing employees' living and proper educational training system, an excellent relationship with mutual trust and dependence is established with the employees. For Example:</p> <ol style="list-style-type: none"> 1. Employee medical insurance, occupational injury insurance, and group liability insurance, etc. are applied according to the laws. 2. Establish union organization according to the laws, appropriate employee welfare fund, arrange periodic 	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>employee health examination annually, and organize welfare measures of employee dancing activities, singing, and basketball, soccer competitions, etc. to enrich the employees' living.</p> <p>3. Irregularly organize fire prevention drills annually, and educate employees about labor safety and health knowledge at the morning meeting in order to prevent occupational disasters, and to protect the safety and health of employees.</p> <p>iii. Investor Relationship: The Company establishes the spokesman, deputy spokesman, and shareholder service handling personnel at the Taiwan office for handling proposals of shareholders.</p> <p>iv. Supplier Relationship: The Company is committed to ethical management and implements requirements for the product quality, quantity, and delivery dates provided by the suppliers. In addition, payments to suppliers are made according to contracts. For contractors with technical obstacles, the Company also provides relevant technical assistance to contractors when it is considered</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	
			<p>necessary.</p> <p>v . Stakeholders' Rights: The Company's website (https://www.paiho.cn) is established with the "Investor Relationship" and "Stakeholders Section" in order to disclose financial, business related information as well as stakeholders' proposals. In addition, the Company's website is also linked to the "MOPS" in order to provide reference and question feedback for stakeholders. In addition, the shareholders service agency "The Transfer Agency Department of CTBC Bank" also provides assistance on relevant matters. In the event a legal issue is encountered, professional attorneys or legal personnel will be entrusted to handle such issue in order to protect the rights and benefits of stakeholders.</p> <p>vi .Educational Training of Directors and Independent Directors: The Company actively encourages directors to participate in educational training courses in order to improve the professional skills of directors and to strengthen the execution of corporate governance. For the status on the educational training of directors of the Company, please refer to page 75 for details.</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	
			<p>vii. Implementation of Risk Management Policy and Risk Measurement Standard: Various internal regulations are established according to the laws in order to perform various risk management and assessment.</p> <p>viii. Implementation of Customer Policy: The Company maintains excellent communication with customers and provides quality services.</p> <p>ix. The liability insurance acquired for the directors and independent directors by the Company: The Company acquired a one-year insurance policy for a coverage amount of US\$3 million for the directors on August 11, 2019, which was reported to the Board of Directors on November 7, 2019.</p>	No major difference.

IX. 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:

Indicators of implementing corporate social responsibility, improving information transparency, protecting shareholders' rights and interests, and treating shareholders equally for the 6th Term of Corporate Governance Evaluation (evaluation year 2019) of the Company are improved from the 5th Term. For the 7th Term of Corporate Governance Evaluation (evaluation year 2020), matters yet to be improved will be planned consecutively according to the needs of laws or actual operation.

Note 1 :

Name of Director	Diversity Core Items	Nationality	Gender	Business Management	Leadership Decision Making	Operation Judgment	Crisis Handling	International Market Outlook	Industry Knowledge	Accounting Finance	Legal
Kuo-Ian Cheng		R.O.C.	Male	V	V	V	V	V	V	-	-
Chen-Chia Cheng		R.O.C.	Male	V	V	V	V	V	V	-	-
Cheng-Tsung Cheng		R.O.C.	Male	V	V	V	V	V	V	-	-
Yi-Liang Shih		R.O.C.	Male	V	V	V	V	V	V	-	-
Lien-Fa Tsai		R.O.C.	Male	V	V	V	V	V	V	V	-
Shih-Chang Ko		R.O.C.	Male	V	V	V	V	-	-	V	V
Yung-Fu Wu		R.O.C.	Male	V	V	V	V	V	-	V	-
Cheng-Chu Lin		R.O.C.	Male	V	V	V	V	-	-	V	V
Yong-Jen Tsao		R.O.C.	Male	V	V	V	V	V	-	V	V

3.3.4 The Composition and Operational Status of the Compensation Committee

1. The Compensation Committee's Member is Composed of Independent Directors and Appointed by the Board of Directors. The Compensation Committee Evaluates the Salary and Compensation Policies and Systems of the Directors and Managerial Officers of the Company in a Professional and Objective Position, and Make Recommendations to the Board of Directors for Reference. The Main Responsibility is :

(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.

2. The Company's Compensation Committee Member Counts 3 People.

3. The Operational Status of the Compensation Committee

(1) The term of office is from June 20, 2019 to June 11, 2022. 2(A) meetings of the Compensation Committee were held in 2019. The attendance status is as follows

Title	Name	Attendance in Person (B)	Attendance By Proxy	Attendance Rate in Person (%) (B/A)	Note
Convener	Cheng-Chu Lin	2	0	100.0	Renewal of office on June 20,2019.
Member	Yung-Fu Wu	2	0	100.0	Renewal of office on June 20,2019.
Member	Yong-Jen Tsao	2	0	100.0	Renewal of office on June 20,2019.

(2) In the recent year meeting dates, sessions, contents of resolutions, resolutions adopted by the Compensation Committee, and actions taken by the Company in response to the opinion of the Compensation Committee shall be noted:

Meeting Dates and Sessions in 2019	Meeting Dates and Sessions in 2019	Contents of Resolutions	Resolution of the Compensation Committee	The Company's response to the opinions of the Compensation Committee
2019 18 th meeting of the 4 th Board March 14	2019 6 th meeting of the 3 rd Compensation Committee March 14	1. Distribution of 2018 employees' compensation remuneration and for Directors.	Approved by all members of the Compensation Committee.	Approved by the attending Board Directors unanimously.
2019 4 th meeting of the 5 th Board December 24	2019 1 st meeting of the 4 th Compensation Committee December 24	1. To establish the "Regulations for Performance Evaluation of the Board of Directors and Functional Committees".	Approved by all members of the Compensation Committee.	Approved by the attending Board Directors unanimously.
		2. Amendments to " Managerial Officers Salary Standard".		Approved by the attending Board Directors unanimously.
		3. The proposal for the salary adjustments of managerial officer.		Directors Kuo-lan Cheng, Chen-Chia Cheng , and Yi-Liang Shih who are also managerial officers of the Company had themselves recused from participating in the discussion and resolution of the proposal; therefore,the proposal was resolved by the other attending Board Directors unanimously.
		4. Distribution of 2019 estimated bonus of managerial officers.		Directors Kuo-lan Cheng, Chen-Chia Cheng , and Yi-Liang Shih who are also managerial officers of the Company had themselves recused from participating in the discussion and resolution

Meeting Dates and Sessions in 2019	Meeting Dates and Sessions in 2019	Contents of Resolutions	Resolution of the Compensation Committee	The Company's response to the opinions of the Compensation Committee
				of the proposal; therefore, the proposal was resolved by the other attending Board Directors unanimously.

(3) Other matters to be noted

- A. If the Board of Directors rejects or amends the suggestions submitted by the Compensation 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 Compensation Committee's opinions: None.
- B. If any member has expressed opposition or reservation with respect to the resolution of the Compensation 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 Compensation Committee and actions taken in response to the member's opinions: None.

(4) Independent information of the Compensation Committee's member

Title	Requirements Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Requirements (Note 1)										Number of other public companies Concurrently serving as an Compensation 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, 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			
Independent Director	Yung-Fu Wu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	Cheng-Chu Lin	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Yong-Jen Tsao	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	None

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 been a person of any conditions defined in Article 30 of the"Company Act".

3.3.5 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	
I. 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?	✓		The management department of each subsidiary is the CSR responsible unit which has assessed the risk of ESG risks according to the CSR materiality principles to establish related risk management strategies. Environmentally, we actively implement environmental protection and support green, eco-friendly, and clean production. We also constantly optimize production processes and equipment to effectively reduce the impact of emissions on environmental pollution. In addition, we persistently implement the 7S campaign every year and publicize its energy conservation and reduction concepts at the morning assembly and management meetings to practice energy conservation in routine business activities. Socially, given our concern for product safety, we strictly follow international regulations and the standard of branded customers of each product. Apart from providing customers with products of consistent quality through the tight control of the QC unit, we innovate consistently and develop high value-added products. To ensure service quality and enhance customer satisfaction, apart from maintaining fluent communication channels, we voluntarily communicate with customers to measure their satisfaction with our products, in order to enhance collaboration with customers and create a reciprocity	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	
			and co-prosperity for both sides. In governance, in addition to maintaining sound corporate governance, we abide by the ethical corporate management best practice principles and related laws and regulations when engaging in business activities. Every year, we ensure our continued compliance with related laws and regulations of all employees and all operations to create long-term shareholder value.	
II. 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?		✓	Presently, the Company uses the management department of each subsidiary as the responsible unit for promoting the fulfillment of corporate social responsibilities, such that each company starts on its own to bear corporate responsibilities, to be responsible for the business location with a responsible attitude toward society, thereby achieving efforts in terms of both environmental protection and humanitarian aid.	The Company will have it handled in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.

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>III. Environmental Topic</p> <p>i. Does the Company establish proper environmental management systems based on the characteristics of their industries?</p> <p>ii. Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>iii. Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take action on related issues?</p> <p>iv. 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?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>i. All of the subsidiaries of the Company have obtained the ISO14001 environmental management system certification, ISO50001 energy management system certification, and qualified for the environmental quality inspection of national waste water discharge standard, etc., such that the subsidiaries operate according to the national standards of the State Environmental Protection Administration, Ministry of Health, etc. as well as relevant industrial standards.</p> <p>ii. To achieve the utilization efficiency of various resources, each production site is installed with waste water recovery equipment and waste gas treatment equipment in order to repetitively use water resources and to reduce atmospheric pollution, thereby reducing impacts on the environment.</p> <p>iii. The Company aggressively implements energy conservation, water conservation, and emission reduction to actively address the impacts of climate change. Wuxi Paiho Company and Dongguan Paihong Company have consecutively obtained certifications for water footprint and carbon footprint issued by the China Quality Certification Center (CQC). Such certifications perform audits on the greenhouse gas and environmental pollution of products of companies in order to allow companies to establish effective energy-saving and carbon-reduction policies. Furthermore, the Company actively cooperates with the energy saving and carbon</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	
			<p>reduction activities of the government, including limited power consumption on specified days and the enhancement of recycling use of waste gas. Improve the utilization rate of water resources, classify wastes, and actively respond to waste classification policies. The Company promotes employees to turn off lights when not in use at all times, to reduce the use of air conditioners as much as possible, such that the Company is able to achieve policies of energy saving, carbon reduction, and greenhouse gas emission reduction.</p> <p>iv Subsidiaries of the Company analyzed the water consumption, total waste weight, and the carbon emissions from product production in the last two years, and established regulations governing waste, energy, and resources.</p>	No major difference.
<p>IV. Social Topic</p> <p>i. Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>ii. Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave, and other</p>	<p>✓</p> <p>✓</p>		<p>i. The Company and subsidiaries sign labor contracts with employees according to the Labor Law in order to protect the legitimate benefits of employees. In addition, the Company and subsidiaries also establish policies to respect the human rights of employees according to the "Universal Declaration of Human Rights" in order to prevent the occurrence of discrimination, bullying, and harassment.</p> <p>ii. "Care for the daily life of employees" is the basic concept of our remuneration and welfare policies. Our welfare and care for employees includes: leave, insurance, retirement,</p>	<p>No major difference.</p> <p>The Company will have it handled in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed</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	
<p>benefits) and appropriately reflected business performance and achievements in its employee remuneration?</p> <p>iii. Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>iv. Does the Company provide its employees with career development and training sessions?</p> <p>v. 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?</p> <p>vi. 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 the Company keep track of the implementation of</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>marriage, birth, health, self-regulated learning, and employee canteens, etc. During the pursuit of sustainable operation, the Company further expects to share the outcome of management with its employees. The Articles of Association of the Company specifies that for the compensation of employees, an amount not less than 1% shall be appropriated from profit before income tax prior to the deduction of the remuneration of directors and employees, and distributed to the employees of the Company and affiliates qualifying for a certain criterion in the form of shares or cash. The distribution of compensation of employees for the year of 2019 has been approved by the Board of Directors' meeting on March 19, 2020, and it is expected to report to the Shareholders' Meeting in June, 2020. For the approval of the distribution of compensation of employees by the Board of Directors, please refer to page 101.</p> <p>iii. The Company and subsidiaries operate according to relevant laws and regulations of operating site safety and health, and the specific execution content includes:</p> <p>1.The subsidiaries of the Company establish relevant regulations for machine safety, electric safety, facility safety, fire control training, and emergency handling, etc. In addition to posting such regulations at all workplaces, the responsible supervisors are also responsible for the promotion and education of employees in order to allow</p>	<p>Companies" and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.</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	
such policies?			<p>employees to comply with the operational regulations.</p> <p>2.Fire control equipment of fire extinguishers, fire hydrants, emergency lamps, and smoke detectors, etc. are installed at each workplace and activity locations. In addition, periodic testing and maintenance are performed annually.</p> <p>3.The subsidiaries of the Company establish the “Hazardous Chemicals Emergency Plan” and organize fire control and escape drills, disaster prevention, and rescue training as well as health educational promotion annually in order to increase the rescue ability and emergency response ability of employees during disasters, thereby reducing disaster and loss of property, as well as reducing impacts on the environment.</p> <p>4.Periodically maintain elevators, freight elevators, machines, and transportation equipment, etc. as well as implement electric safety inspections annually.</p> <p>5.The Company installs safety protection equipment according to the nature of works and needs. In addition, personnel receive special safety and health trainings prior to operation; for example, to perform dust or organic solvent operations, personnel are required to wear masks; in noisy environments, personnel are required to wear ear covers, etc., in order to reduce the hazards of the operational environment to the employees’ health.</p> <p>6.Chemicals management personnel and safety production</p>	<p>No major difference. The Company will have it handled in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.</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	
			<p>management personnel participate in external educational training and obtain qualification certificates regularly according to the local regulations of the operational site. Dedicated personnel are assigned to use, manage, and handle chemicals as well as to establish chemicals management rules according to the local regulations of the operational sites and to comply with such rules properly.</p> <p>7.Cooperate with the local medical hospitals in order to provide annual health examinations and emergency medical treatment to employees. The Company also installs first-aid equipment, medicine boxes, and nursing personnel.</p> <p>8.The Company establishes security guards to enhance access control and to strengthen the safety of the working environment.</p> <p>9.The Company continues to promote the 7S of organizing, sorting, cleaning, sweeping, quality, safety, energy saving, strengthening employees’ health, and safety knowledge annually.</p> <p>iv. Employees are an important asset of the Company. To allow employees to exploit their abilities and to be competent at work in order to continuously create competition advantages for the Company, the Company plans necessary and appropriate internal educational training courses and arranges employees to participate in external educational training courses annually. In addition, the Company</p>	<p>No major difference. The Company will have it handled in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.</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	
			<p>encourages employees to participate in continuing educational courses at colleges, and the Company also provides tuition subsidies to employees.</p> <p>v. The subsidiaries of the Company have already qualified for the ISO 9001 quality management system certification, and have established relevant quality management procedures and complaint procedures in order to protect the rights and benefits of consumers. The Company upholds the customer-oriented management concept of “Quality, Practicality, Innovation, Service”, and maintains excellent communication with customers in order to provide quality service. In addition, responsible departments are in charge of the handling of quality and customer complaint issues. In addition, the Company has established the “Intellectual Property Rights Management Regulations” according to relevant laws, and the marketing and sale of relevant products also complies with relevant laws and international standards. The registration of the trademark of the Company has been approved, and for the use of trademarks of brand makers, legitimate authorizations have also been obtained from the brand makers.</p> <p>vi. Although the provisions on occupational safety and health, labor human rights and environmental factors are not stipulated in the procurement contract, the Company shall continue to require suppliers to fulfill corporate social responsibility, pay attention to labor human rights and protect</p>	<p>No major difference. The Company will have it handled in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.</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	
			the planet.	
V. 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 has not yet prepared a social responsibility report. However, the subsidiaries of the Company located in China and Vietnam have all qualified for the national quality inspection and are executed according to national standards of the State Environmental Protection Administration, Ministry of Health, etc. and relevant industrial standards. In addition, the Company has obtained the ISO14001 environmental management system certification, "Material Supplier Laboratory" certificates approved by Nike Corporation and Adidas Corporation, "Quality Management System Outstanding Supplier" certificate issued by Mizuno Corporation, "Oeko-Tex Certification" certificate issued for the qualification of hazardous substance inspection by the Swiss Textile Testing Institute, IATF 16949 issued by the International Automotive Task Force: 2016 quality management system certification, "Green Plant" awarded by Ministry of Industry and Information Technology of the People's Republic of China, Global Recycled Standard (GRS) 4.0. certification, and has also obtained the ISO 50001 energy management system certification. These are the performance of fulfilling social responsibilities.	The Company will have it handled in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.
VI. Where the Company establishes its own corporate social responsibilities according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe the discrepancy between its operation and the principles established: Not applicable.				
VII. Other important information to facilitate the understanding of the status of corporate social responsibility operation: None.				

3.3.6 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	
<p>I. Establishment of Ethical Corporate Management Policies and Programs</p> <p>i. 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?</p> <p>ii. 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</p>	<p>✓</p> <p>✓</p>		<p>i. The Company and subsidiaries adopt fair and transparent methods for business activities with customers and suppliers. In addition, the Board of Directors and the management level also actively implements ethical principles, and recuses themselves in a timely manner from matters related to personal interests. The Board of Directors of the Company also approves the “Codes of Ethical Conducts” in order to strengthen the sound ethical management of the Company and to provide guidelines for the ethical conduct of the directors, managerial officers, and employees of the Company.</p> <p>ii. The internal regulations of the Company and subsidiaries specify that during the performance of business activities, employees shall not directly or indirectly provide, guarantee, request, or receive any illegal benefits, or engage in any conduct violating ethics, laws, or violating entrustment obligations, etc., in order to acquire or maintain benefits. In the event of violation, the Company will adopt appropriate disposition depending upon the severity of the situation.</p> <p>iii. The Company and subsidiaries establish the employee</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>“Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>iii. 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?</p>	✓		<p>codes of practice and the “Procedures for Handling Material Inside Information”, etc. in order to explicitly specify that during the employment period, employees shall not owe, misappropriate, steal, damage properties of the Company, or engage in corruption and bribery, misappropriation of Company funds, disclosure of the Company's secrets, unclear handover of works and other conduct causing damage of the Company. In addition, the Company also requires personnel capable of accessing confidential information to sign a non-disclosure agreement, and the Company further sets up a complaint mailbox as well as establishes relevant whistleblowing and reward/punishment regulations. In addition, the Company will perform a timely review of existing regulations.</p>	No major difference.
<p>II. Implementing Ethical Corporate Management</p> <p>i. Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>ii. Has the Company 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</p>	✓	✓	<p>i. The Company performs business activities in a fair and transparent manner, and specifies relevant ethical provisions in agreements. The Company also avoids transactions with unethical suppliers and customers.</p> <p>ii. Although the Company has not established a dedicated unit to promote corporate ethical management, nevertheless, the Company and subsidiaries thoroughly comply with the relevant laws of the Company Act as well as internal regulations related to auditing and internal control, etc. In addition, the Company also uses the “Ethical Corporate</p>	<p>No major difference. The Company will have it handled in accordance with the “Ethical Corporate Management Best Practice</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>and supervision of the ethical management policy and preventive programs of unethical behavior?</p> <p>iii. Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? ✓</p> <p>iv. 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 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>v. Does the Company regularly hold internal and external educational trainings on operational integrity? ✓</p>			<p>Management Best Practice Principles for TWSE/GTSM Listed Companies" as the basis for implementing ethical management.</p> <p>iii. The Company establishes the price comparison system and tendering system in order to prevent any unethical conduct from affecting business relationships or trading actions. Presently, the operation of the Company is proper without the occurrence of any unethical conduct.</p> <p>iv. The Company establishes the internal control system, internal audit system, and various management regulations. In addition, auditors and external professional personnel (CPAs) perform inspection on the execution status irregularly.</p> <p>v. The ethical management concept of "Team, Collaboration, Dedication, Responsibility" of the Company and subsidiaries has been clearly specified in the employee handbook. During morning meetings, monthly meetings and management meetings, the Company promotes the notion of ethical of management to employees. During the on-board orientation of new employees, the responsibility of ethical management is taught in order to strengthen their understanding of the ethical principles.</p>	Principles for TWSE/GTSM Listed Companies" and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.

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>III. Operation of the Integrity Channel</p> <p>i. 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>ii. Has the Company established standard operating procedures for investigation, post-investigation measures, and related mechanisms to ensure confidentiality of a whistleblower complaint?</p> <p>iii. Does the Company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The Company has established the whistleblowing and reward/punishment system in the internal regulations of the employee handbook, and also establishes an employee complaint mailbox to be received by the management department. Despite that, the Company has not established the investigation standard operation procedure for accepting whistleblowing cases, nevertheless, the Company will handle whistleblowing cases in a confidential manner and perform objective verification, as well as allowing employees to understand that the Company will make best effort in protecting the safety of whistleblowers and prevent them from any vengeful actions of others. In addition, the Company also encourages employees to report to the independent directors, managerial officers, internal audit officers, or other appropriate personnel in the case of discovery of any conduct violating laws and regulations or codes of ethics.</p>	<p>No major difference. The Company will have it handled in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and related law and regulations in the future depending on the requirements of the law and regulations or the needs of actual operation.</p>
<p>IV. Enhancing Information Disclosure</p> <p>i. Does Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</p>	<p>✓</p>		<p>The Company discloses the corporate governance on the Company’s website (https://www.paiho.cn) for the general public for inquiry. For all of the material financial and business information required to be disclosed according to the laws, the Company has assigned dedicated personnel to be responsible for the collection of information in order to disclose it on the MOPS in a timely manner and to disclose ethical management related information and status on the annual report and prospectus.</p>	<p>No major difference.</p>

Assessment Item	Operation Status		Summary Description	Discrepancies With the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No		
V. 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 : Not applicable.				
VI. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies) : None.				

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

The Company has established the corporate governance principles and relevant regulations. In the future, the Company will continue to enhance the information transparency and strengthen the measures of functions of the Board of Directors in order to promote the sustainable operation of corporate governance. 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 ([https:// mops.twse.com.tw](https://mops.twse.com.tw)) or under "Investor Relationship" on the Company's website. ([https:// www.paiho.cn](https://www.paiho.cn))

3.3.8 Other Important Information of Corporate Governance Operations

1. The Company establishes the "Procedures for Handling Material Inside Information" and "Codes of Ethical Conduct" to explicitly specify the internal material information handling and disclosure mechanisms of the Company in order to serve as guidelines for the compliance by the directors, managerial officers, and employees. In addition, the Company also promotes the compliance thereof in order to prevent any inappropriate disclosure of information and to ensure the consistency and accuracy of information announced by the Company to the outside. Relevant regulations have been submitted to the Board of Directors for approval.

2. Advanced Study of the Board Directors in 2019

Title	Name	Study Date	Organizer	Courses	Study Hours
Chairman	Representative of Paiho Int'l Limited : Kuo-lan Cheng	August 12,2019 November 7,2019	Taiwan Corporate Governance Association	Transnational Management and Sustainable Development.	6
Director	Chen-Chia Cheng				
Director	Cheng-Tsung Cheng				
Director	Shih-Chang Ko				
Director	Lien-Fa Tsai				
Director	Yi-Liang Shih				
Independent Director	Cheng-Chu Lin			Interpretation of the Top 10 Global Risks in 2019.	
Independent Director	Yung-Fu Wu	July 24,2019	Taiwan Corporate Governance Association	Risk Management and Internal Control	18
		September 19,2019 September 20,2019	Accounting Research and Development Foundation	Advanced Study Courses for Accounting Officers of Securities Issuers, Securities Brokers, and Securities Firms.	
		October 30,2019	Taiwan Corporate Governance Association	Easing Succession as a Barrier of Sustainable Development through Governance and Management Design.	
Independent Director	Yong-Jen Tsao	June 26,2019	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	6
		November 8,2019	Securities and Futures Institute	2019 Insider Trading Prevention Seminar	

3. Advanced Study of the Managers in 2019

Title	Name	Study Date	Organizer	Courses	Study Hours
Chairman	Kuo-lan Cheng	August 12,2019 November 7,2019	Taiwan Corporate Governance Association	Transnational Management and Sustainable Development.	6
Vice General Manager General Manager office	Chen-Chia Cheng				
Vice General Manager Sales Management Center	Hsin-Jung Cheng				
Executive Senior Manager Research & Development Management Center	Yi-Liang Shih				
Executive Senior Manager Manufacturing Management Center					
Senior Manager Financial Management Center	Mei-Hui Lin	August 27,2019 August 28,2019	Accounting Research and Development Foundation	Advanced Study Courses for Accounting Officers of Securities Issuers, Securities Brokers, and Securities Firms.	12
Accounting Manager Financial Management Center	Yu-Min Chang				
Manager Audit Office	Shu-Ling Huang	July 26,2019 October 25,2019	Computer Audit Association	Advanced Study Courses for internal auditors of public offering companies.	12

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

One of the staff members of the Company's audit department has a Certified Public Accountant license received in the Republic of China.

3.3.9 Status of the Internal Control System Implementation

1. Statement of Internal Control System

Paiho Shih Holdings Corporation Statement of Internal Control System

Date: March 19, 2020

Based on the findings of a self-assessment, Paiho Shih Holdings Corporation states the following with regard to its internal control system during the year 2019:

- I. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board of Directors and management and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness and the efficiency of operations (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
- II. The internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.
- III. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The Regulations is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Regulations with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Regulations shall be referred to for details.
- IV. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.
- V. Based on the aforementioned audit findings, the Company believes that, on December 31, 2019, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the "Securities and Exchange Act".
- VII. This statement was approved by the Board of Directors in their meeting held on March 19, 2019, and 9 attending directors all agree at the contents of this statement.

Paiho Shih Holdings Corporation

Chairman Kuo-lan Cheng
General Manager Kuo-lan Cheng

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.3.10 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.

3.3.11 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 2019 Annual General Shareholders' Meeting and the Implementation Status thereof :

Meeting Date	Material Resolutions and Implementation Status																														
June 12,2019	<p>1. Approved to enhance the Company's authorized capital stock. Implementation Status : It has been processed and registered after a resolution was reached in the Shareholders' Meeting.</p> <p>2. Approved amendments to "Memorandum and Articles of Association". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>3. Accepted the 2018 Business Report and Financial Statements. Implementation Status : Approved by Shareholders' Meeting.</p> <p>4. Accepted the proposal for distribution of 2018 earnings. Implementation Status : 2018 profit distribution has distributed amount of cash dividends of NT\$58,366,320 (NT\$0.2 per share) and amount of stock dividends of NT\$233,465,280(NT\$0.8 per share). The cash dividends and share dividends have been distributed on August 30, 2019.</p> <p>5. Election for the 5th directors of the Company Election Result :</p> <table border="1" data-bbox="392 1424 1366 1899"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Votes Received</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Representative of Paiho Int'l Limited. : Kuo-lan Cheng</td> <td>192,877,505</td> </tr> <tr> <td>Director</td> <td>Chen-Chia Cheng</td> <td>172,649,294</td> </tr> <tr> <td>Director</td> <td>Shih-Chang Ko</td> <td>172,643,241</td> </tr> <tr> <td>Director</td> <td>Lien-Fa Tsai</td> <td>172,642,751</td> </tr> <tr> <td>Director</td> <td>Cheng-Tsung Cheng</td> <td>172,648,647</td> </tr> <tr> <td>Director</td> <td>Yi-Liang Shih</td> <td>172,641,358</td> </tr> <tr> <td>Independent Director</td> <td>Yung-Fu Wu</td> <td>172,637,300</td> </tr> <tr> <td>Independent Director</td> <td>Cheng-Chu Lin</td> <td>172,637,235</td> </tr> <tr> <td>Independent Director</td> <td>Yong-Jen Tsao</td> <td>172,637,235</td> </tr> </tbody> </table>	Title	Name	Votes Received	Director	Representative of Paiho Int'l Limited. : Kuo-lan Cheng	192,877,505	Director	Chen-Chia Cheng	172,649,294	Director	Shih-Chang Ko	172,643,241	Director	Lien-Fa Tsai	172,642,751	Director	Cheng-Tsung Cheng	172,648,647	Director	Yi-Liang Shih	172,641,358	Independent Director	Yung-Fu Wu	172,637,300	Independent Director	Cheng-Chu Lin	172,637,235	Independent Director	Yong-Jen Tsao	172,637,235
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Meeting Date	Material Resolutions and Implementation Status									
June 12,2019	<p>6. Approved amendments to "Procedure for Governing the Election of Directors". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>7. Approved amendments to " Rules and Procedures for Shareholders Meeting". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>8. Approved amendments to "Procedures for Acquisition or Disposal of Assets". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>9. Approved amendments to "Operational Procedures for Loaning of Company Funds". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>10. Approved amendments to "Procedures for Financial Derivatives Transactions". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>11. Approved amendments to "Regulation Governing Making of Endorsements / Guarantees". Implementation Status : The amended regulation has been executed in accordance with the resolution of Shareholders' Meeting.</p> <p>12. Approved the 2018 retained earnings transferred to common stock. Implementation Status : Approved the distribution of stock dividends with total NT\$ 233,465,280 (NT\$ 0.8 per share.) with the resolution of Shareholders' Meeting. The stock dividends was distributed on August 30, 2019.</p> <p>13. Approved the proposal of lifting Directors of the non-competition restrictions. Implementation Status : Shareholders' Meeting approved to lift the following Directors of the non-competition restrictions :</p> <table border="1" data-bbox="435 1301 1465 2054"> <thead> <tr> <th data-bbox="435 1301 604 1355">Title</th> <th data-bbox="604 1301 798 1355">Name</th> <th data-bbox="798 1301 1465 1355">Currently Holding the Position of Other Companies</th> </tr> </thead> <tbody> <tr> <td data-bbox="435 1355 604 1780">Director</td> <td data-bbox="604 1355 798 1780">Representative of Paiho Int'l Limited. : Kuo-lan Cheng</td> <td data-bbox="798 1355 1465 1780">Chairman and General Manager of the Company; Director of Paiho Int'l Limited.; Chairman of Dongguan Paiho Textile Limited.; Director of Spring Rich Limited.; Chairman and General Manager of Wuxi Paiho Company; Chairman and General Manager of Dongguan Paihong Company; Director of Hong Kong Antex Company; Chairman of Vietnam Paihong Company; Director of Hon Shin Company; Director of Wuxi Paisem Chemical Fibre Co.,Ltd.; Director of Braits Company Limited.; Chairman of Wuxi Paihong Company; Director of Pai Lon Company; Chairman of Wuxi Paiwei Company.</td> </tr> <tr> <td data-bbox="435 1780 604 2054">Director</td> <td data-bbox="604 1780 798 2054">Chen-Chia Cheng</td> <td data-bbox="798 1780 1465 2054">Vice General Manager of the Company; Director of Wuxi Paihong Company; Director of Hong Kong Antex Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director and Vice General Manager of Wuxi Paiho Company; Supervisor of Dongguan Paihong Company; Director of Dongguan Paiho Powder Coating Co.,Ltd.; Director of Braits Company Limited.; Supervisor of China Star International Limited.; Director of Vietnam Paiho Limited.; Director of He Mei</td> </tr> </tbody> </table>	Title	Name	Currently Holding the Position of Other Companies	Director	Representative of Paiho Int'l Limited. : Kuo-lan Cheng	Chairman and General Manager of the Company; Director of Paiho Int'l Limited.; Chairman of Dongguan Paiho Textile Limited.; Director of Spring Rich Limited.; Chairman and General Manager of Wuxi Paiho Company; Chairman and General Manager of Dongguan Paihong Company; Director of Hong Kong Antex Company; Chairman of Vietnam Paihong Company; Director of Hon Shin Company; Director of Wuxi Paisem Chemical Fibre Co.,Ltd.; Director of Braits Company Limited.; Chairman of Wuxi Paihong Company; Director of Pai Lon Company; Chairman of Wuxi Paiwei Company.	Director	Chen-Chia Cheng	Vice General Manager of the Company; Director of Wuxi Paihong Company; Director of Hong Kong Antex Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director and Vice General Manager of Wuxi Paiho Company; Supervisor of Dongguan Paihong Company; Director of Dongguan Paiho Powder Coating Co.,Ltd.; Director of Braits Company Limited.; Supervisor of China Star International Limited.; Director of Vietnam Paiho Limited.; Director of He Mei
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Director	Chen-Chia Cheng	Vice General Manager of the Company; Director of Wuxi Paihong Company; Director of Hong Kong Antex Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director and Vice General Manager of Wuxi Paiho Company; Supervisor of Dongguan Paihong Company; Director of Dongguan Paiho Powder Coating Co.,Ltd.; Director of Braits Company Limited.; Supervisor of China Star International Limited.; Director of Vietnam Paiho Limited.; Director of He Mei								

			Xing Ye Company Ltd.; Director of Wuxi Paiwei Company.
Director	Cheng-Tsung Cheng		Executive Vice General Manager of Sales Department of Taiwan Paiho Company; Director of Zhong Yuan Xing Ye Company Ltd.; Director of Hong Kong Antex Company; Director of Paiho holdings Ltd.; Director of Wuxi Paisem Chemical Fibre Co.,Ltd.; Director of He Mei Xing Ye Company Ltd.; Supervisor of Dongguan Paiho Powder Coating Co.,Ltd.
Director	Yi-Liang Shih		Executive Senior Manager of Factory Department of Wuxi Paiho Company; Director of Wuxi Paihong Company
Independent Director	Yong-Jen Tsao		Independent Director & member of Compensation Committee, Zongtai Real Estate Development Co., Ltd.

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

Meeting Dates	Material Resolutions
<p>March 14, 2019 2019 1st Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved to apply the loan from banks. 2. Approved to make endorsements/guarantees for its affiliates. 3. Approved distribution of 2018 employees' compensation and remuneration for Directors. 4. Approved the Company's 2018 Business Report, Financial Statements and Consolidated Financial Statements. 5. Approved to enhance the Company's authorized capital stock. 6. Approved amendments to Memorandum and Articles of Association of the Company. 7. Approved the 2018 Statement of Internal Control System. 8. Approved amendments to "Procedure for Governing the Election of Directors". 9. Approved amendments to "Rules and Procedures for Shareholders Meeting". 10. Approved amendments to "Procedures for Acquisition or Disposal of Assets". 11. Approved amendments to "Procedures for Financial Derivatives Transactions". 12. Approved amendments to "Operational Procedures for Loaning of Company Funds". 13. Approved amendments to "Regulation Governing Making of Endorsements / Guarantees". 14. Approved amendments to "Corporate Governing Best Practice Principles". 15. Approved amendments to "Procedures for Halt and Resumption Applications". 16. Approved the endorsements/ guarantees amount of the Company and its subsidiaries as of the end of 2018 accounted for more than 50% of the net worth. 17. Approved the proposal for distribution of 2018 earnings. 18. Approved the 2018 retained earnings transferred to common stock. 19. Approved to re-elect for the 5th Directors of the Company. 20. Approved to lift directors and their representatives of the non-competition restrictions. 21. Approved to convene 2019 Annual General Shareholders' Meeting's date, time, venue and the matters, and shareholders may also exercise voting rights by electronically. 22. Approved 2019 Annual General Shareholders' Meeting relevant matters of accepting the shareholders proposals and shareholders nomination of directors and independent directors' candidates. 23. Approved the Loan of Funds to its affiliates. 24. Approved to increase the capital of US\$ 25 million of Vietnam Paihong Company.

<p>May 2, 2019 2019 2nd Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved to apply the loan from banks. 2. Approved to make endorsements/guarantees for its affiliates. 3. Approved the Company's 2019 first quarter Consolidated Financial Statements. 4. Approved amendments to "Rules of Procedure for Board of Directors Meetings". 5. Approved amendments to "Operational Procedures for Loaning of Company Funds". 6. Approved the list of candidates for directors (including independent directors). 7. Approved to lift directors and their representatives of the non-competition restrictions. 8. Approved to adjust the order of 2019 Annual General Shareholders' Meeting agenda. 9. Approved the assessment of the independence and competency of the certified public accountants. 10. Approved 2019 CPAs' audit fees. 11. Approved the Loan of Funds to its affiliates.
<p>May 9, 2019 2019 3rd Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved the endorsements/ guarantees amount of the Company and its subsidiaries as of the end of 2018 accounted for more than 50% of the net worth.
<p>June 20, 2019 2019 4th Board Meeting</p>	<ol style="list-style-type: none"> 1. Director Kuo-lan Cheng was elected as chairman. 2. Approved the resignation of the Company's secretary. 3. Approved to transfer from retained earnings to common stock and cash dividends. 4. Approved the review of the qualifications of members of the 4th Compensation Committee. All nominees are qualified. 5. Approved to make endorsements/guarantees for its affiliates. 6. Approved the land acquisition of Vietnam Paihong Company. 7. Approved the Loan of Funds to its affiliates.
<p>August 12, 2019 2019 5th Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved to apply the loan from banks. 2. Approved to make endorsements/guarantees for its affiliates. 3. Approved the Company's 2019 second quarter Consolidated Financial Statements. 4. Approved amendments to "Audit Committee Charter".
<p>November 7, 2019 2019 6th Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved to apply the loan from banks. 2. Approved to make endorsements/guarantees for its affiliates. 3. Approved to increase the capital of Wuxi Paihong Company in cash.
<p>December 24, 2019 2019 7th Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved to make endorsements/guarantees for its affiliates. 2. Approved the Company's 2020 business plan and annual budget. 3. Approved the change of CPAs in response to the business arrangement of Deloitte Taiwan. 4. Approved the proposal of board member change of Hong Kong Antex Company. 5. Approved the revision of some of the operations and provisions of the Group's "Internal Control System". 6. Approved the Group's 2020 internal control audit plan. 7. Approved to establish the "Regulations for Performance Evaluation of the Board of Directors and Functional Committees". 8. Approved amendments to " Managerial Officers Salary Standard". 9. Approved the proposal for the salary adjustments of managerial officer. 10. Approved distribution of 2019 estimated bonus of managerial officers. 11. Approved the Loan of Funds to its affiliates. 12. Approved the Company's economic substance notifications.

<p>March 19, 2020 2020 1st Board Meeting</p>	<ol style="list-style-type: none"> 1. Approved to apply the loan from banks. 2. Approved to make endorsements/guarantees for its affiliates. 3. Approved the Company's 2019 Business Report and Consolidated Financial Statements. 4. Approved distribution of 2019 employees' compensation and remuneration for Directors. 5. Approved the proposal for distribution of 2019 earnings. 6. Approved the distribution of cash dividends for 2019. 7. Approved the endorsements/ guarantees amount of the Company and its subsidiaries as of the end of 2019 accounted for more than 50% of the net worth. 8. Approved the 2019 Statement of Internal Control System. 9. Approved amendments to Memorandum and Articles of Association of the Company. 10. Approved amendments to "Audit Committee Charter". 11. Approved amendments to " Compensation Committee Charter". 12. Approved amendments to "Rules of Procedure for Board of Directors Meetings". 13. Approved amendments to "Rules and Procedures for Shareholders Meeting". 14. Approved amendments to "Operational Procedures for Loaning of Company Funds". 15. Approved amendments to "Regulation Governing Making of Endorsements / Guarantees". 16. Approved amendments to "Corporate Governing Best Practice Principles". 17. Approved the assessment of the independence and competency of the certified public accountants. 18. Approved 2020 CPAs' audit fees. 19. Approved to lift a director of the non-competition restrictions. 20. Approved to convene 2020 Annual General Shareholders' Meeting's date, time, venue and the matters, and shareholders may also exercise voting rights by electronically. 21. Approved 2020 Annual General Shareholders' Meeting relevant matters of accepting the shareholders proposals. 22. Approved the Loan of Funds to its affiliates. 23. Approved the proposal for the salary of managerial officer.
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3.3.12 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: None.

3.3.13 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.

3.4 Information on CPA Professional Fees

Accounting Firm	CPA	CPA's Audit Period	Note
Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	January 1, 2019 ┆ September 30, 2019	None
Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	October 1, 2019 ┆ December 31, 2019	In order to cooperate with the internal work reassignment and arrangement of Deloitte Taiwan.

Unit : NT\$ thousands

Items of Fees		Audit Fee	Non-Audit Fee	Total
Intervals of the Amount				
1	Less than NT\$2 million	0	294	294
2	NT\$2 million (included) ~ \$4 million	0	0	0
3	NT\$4 million (included) ~ \$6 million	4,900	0	4,900
4	NT\$6 million (included) ~ \$8 million	0	0	0
5	NT\$8 million (included) ~ \$10 million	0	0	0
6	Above NT\$10 million	0	0	0

Unit : NT\$ thousands

Accounting Firm	CPA	Audit Fee (Note1)	Non-Audit Fee					CPA's Audit Period	Note
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	4,900	0	294	0	0	294	01/01/2019 ┆ 12/31/2019	None

Note1: The Company and its subsidiaries' audit services.

- 3.4.1 Non-Audit Fee Paid to CPAs, the Audit Firm and Its Affiliates Accounted for More Than One-Fourth of Total Audit Fee: Not applicable.
- 3.4.2 Replaced the Audit Firm and the Audit Fee paid to the New Audit Firm was Less Than the Payment of Previous Year: Not applicable.
- 3.4.3 Audit Fee Reduced More Than 10% over Year: Not applicable.

3.5 Information on Replacement of Certified Public Accountant :

The Company's consolidated financial report originally was audited by the CPA Shu-Chin Chiang and CPA Hsiao-Fang Yen of Deloitte Taiwan. In order to cooperate with the internal work reassignment and arrangement of Deloitte Taiwan, starting from the Company's 2019 Q4 consolidated financial report has been audited by CPA Shu-Chin Chiang and CPA Ting-Chien Su with the approval of the Audit Committee in the 4th meeting of the 4th term on December 24, 2019 and the resolution of the Board of Directors in the 4th meeting of the 5th term.

3.5.1. Former CPAs

Date of Change	From 2019 Q4 consolidated 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	Client	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	Not applicable		
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
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3.5.2 Successor CPAs

Accounting Firm	Deloitte & Touche
CPA	CPA Shu-Chin Chiang and CPA Ting-Chien Su
Date of Engagement	From 2019 Q4 consolidated 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	Not applicable

3.5.3 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": Not applicable.

3.6 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.

3.7 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.

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

Title	Name	2019		01/01/2020~04/11/2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Major Shareholder	Paiho Int'l Limited.				
Director	Representative of Paiho Int'l Limited. : Kuo-lan Cheng	12,046,844	0	0	0
Director	Representative of Taiwan Paiho Company : Chih-Yu Cheng (Dismissed on June 12,2019)	0	0	0	0
Director	Chen-Chia Cheng	7,204	0	0	0
Vice General Manager General Manager office					
Director	Cheng-Tsung Cheng	0	0	0	0
Director	Yi-Liang Shih	522	0	0	0
Executive Senior Manager Research & Development Management Center					
Executive Senior Manager Manufacturing Management Center					
Director	Shih-Chang Ko	0	0	0	0
Director	Lien-Fa Tsai	1,900	0	0	0
Independent Director	Yung-Fu Wu	0	0	0	0
Independent Director	Cheng-Chu Lin	0	0	0	0

Title	Name	2019		01/01/2020~04/11/2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Independent Director	Yong-Jen Tsao	0	0	0	0
General Manager	Kuo-lan Cheng	1,922,924	0	0	7,000,000
Vice General Manager Sales Management Center	Hsin-Jung Cheng	76	0	0	0
Executive Vice General Manager Manufacturing Management Center	Chiang-Tong Huang (Promoted on January 1, 2020.)	1,199	0	0	0
Executive Vice General Manager Research & Development Management Center					
Vice General Manager Manufacturing Management Center	Guey-Huei Wang	0	0	0	0
Senior Manager General Manager office	Hsi-Tung Cheng	3,264	0	0	0
Senior Manager Sales Management Center	Chin-Hui Lin	4,981	0	0	0
Vice General Manager Sales Management Center	Min-Nan Tu (Promoted on January 1, 2020.)	2,137	0	0	0
Executive Senior Manager Sales Management Center	Wen-Pin Tu (Promoted on January 1, 2020.)	1,888	0	0	0
Senior Manager Sales Management Center	Yi-Jen Lin	0	0	0	0
Executive Senior Manager Sales Management Center	Yi-Chang Lin (Promoted on January 1, 2020.)	2,317	0	0	0
Executive Senior Manager Manufacturing Management Center	Chang-Chieh Liu (Promoted on January 1, 2020.)	1,811	0	0	0
Executive Senior Manager Research & Development Management Center					
Senior Manager Research & Development Management Center	Wen-Sou Yang (Took office on January 1, 2020.)	0	0	0	0
Senior Manager Research & Development Management Center	Hsiang-Lun Kung	2,470	0	4,000	0

Title	Name	2019		01/01/2020~04/11/2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Senior Manager Manufacturing Management Center					
Senior Manager Research & Development Management Center	Hsi-An Wu (Resignation on April 9, 2019.)	0	0	0	0
Senior Manager Manufacturing Management Center					
Senior Manager Sales Management Center	Su-Fen Huang (Took office on June 1, 2019.)	0	0	0	0
Senior Manager Financial Management Center	Mei-Hui Lin	1,337	0	0	0
Accounting Manager Financial Management Center	Yu-Min Chang	622	0	0	0
Manager Audit Office	Shu-Ling Huang	746	0	0	0

3.7.2 Stock Trade with Related Party : None.

3.7.3 Stock Pledge with Related Party : None.

3.8 Related Party Relationship among the Company's Top Ten Shareholders

Unit: Shares : April 11, 2020

Item	Name (Note 1)	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholders(Note3)		Note
		shares	%	shares	%	shares	%	Name	Relationship	
1	Paiho Int'l Limited. (Representative : Kuo-lan Cheng)	162,632,396	51.60%	0	0	0	0	None	None	None
	Kuo-lan Cheng	25,554,482	8.11%	631,692	0.20%	0	0	Chen-Chia Cheng Shih-Ting Pao Cheng Chia Company	The First Degree The First Degree Director of Cheng Chia Company	None
2	Kuo-lan Cheng	25,554,482	8.11%	631,692	0.20%	0	0	Chen-Chia Cheng Shih-Ting Pao Cheng Chia Company	The First Degree The First Degree Director of Cheng Chia Company	None
3	Cheng Chia Investment Ltd. (Cheng Chia Company) (Representative : Shih-Ting Pao)	67,733,609	2.14%	0	0	0	0	None	None	None
	Shih-Ting Pao	0	0	0	0	0	0	Kuo-lan Cheng Chen-Chia Cheng	The First Degree The Second Degree	None
4	Moon Lake Holdings Ltd. (Representative : Chen-Chia Cheng)	5,721,800	1.82%	0	0	0	0	None	None	None
	Chen-Chia Cheng	97,263	0.03%	0	0	0	0	Kuo-lan Cheng Shih-Ting Pao Cheng Chia Company	The First Degree The Second Degree Director of Cheng Chia Company	None
5	Chia-Pang Tsai	3,262,896	1.04%	0	0	0	0	None	None	None
6	Kuan-Cheng Mai	2,242,000	0.71%	0	0	0	0	Hsiu-Jen Mai	The First Degree	None
7	Cheng-Chung Wu	2,146,015	0.68%	0	0	0	0	None	None	None
8	JOHCM International Smaller Companies Equity Fund	2,120,572	0.67%	0	0	0	0	None	None	None
9	Cathay Securities(Hong Kong) Limited.- Costomer Account	2,105,977	0.67%	0	0	0	0	None	None	None
10	Hsiu-Jen Mai	1,944,000	0.62%	0	0	0	0	Kuan-Cheng Mai	The First Degree	None

Note 1: All the top ten shareholders should be listed. For those who are institutional shareholders, the name of the institutional shareholders and its representative should be listed separately.

Note 2: The calculation of the shareholding ratio refers to the shareholding ratio in the name of oneself, the spouse, minors, or others.

Note 3: The shareholders listed in the preceding paragraph include legal persons and natural persons; also, their relationship should be disclosed in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

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

April 30, 2020 ; Unit:1,000 shares ; %

Long-Term Investments	Investments by the Company(A)		Investments from Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Companies (B)		Total Investments(A)+(B)	
	shares	%	shares	%	shares	%
Hong Kong Antex Company	54,335	100%	0	0	54,335	100%
Pai Lon Company	1,500	100%	0	0	1,500	100%
Hon Shin Company	95,000	100%	0	0	95,000	100%
Wuxi Paiho Company	358,432	93.2%	16,149	4.2%	374,581	97.4%
Dongguan Paihong Company (Note 1)	0	95.53%	0	2.76%	0	98.29%
Wuxi Paihong Company (Note 1)	0	93.2%	0	4.2%	0	97.4%
Wuxi Paiwei Company (Note 1)	0	93.2%	0	4.2%	0	97.4%
Vietnam Paihong Company (Note 1)	0	100%	0	0	0	100%

Note1 : Dongguan Paihong Company, Wuxi Paihong Company, Wuxi Paiwei Company and Vietnam Paihong Company are limited companies, so there are no shares.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital Stock

Unit: 1,000 shares; USD thousands and NT\$ thousands, except additional notes.

Month/ Year	Issue Price	Authorized Capital Stock (Note 1)		Capital Stock		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
09 / 2007	US\$1	60,000	60,000	20,000	20,000	Establishment (Cash)	None	(Note2)
01 / 2009	US\$1			24,500	24,500	Cash Subscription	None	(Note3)
06 / 2009	US\$1			28,713	28,713	Cash Subscription	None	(Note4)
08 / 2009	US\$1			38,713	38,713	Cash Subscription	None	(Note5)
11 / 2009	US\$1			41,713	41,713	Cash Subscription	None	(Note6)
12 / 2009	US\$1			47,713	47,713	Capitalization of Retained Earnings	None	(Note7)
03 / 2010	US\$1			56,213	56,213	Capitalization of Retained Earnings	None	(Note8)
05 / 2010	NT\$10	250,000	2,500,000	176,423	1,764,229	Equity Currency Conversion	None	(Note9)
05 / 2011	NT\$10	300,000	3,000,000 (Note 10)	198,483	1,984,829	Cash Subscription	None	(Note11)
09 / 2011	NT\$10			192,483	1,924,829	Treasury Stock Reduction	None	(Note12)
10 / 2011	NT\$10			212,331	2,123,312	Capitalization of Retained Earnings	None	(Note13)
09 / 2012	NT\$10			229,318	2,293,177	Capitalization of Retained Earnings	None	(Note14)
04 / 2013	NT\$10			223,318	2,233,177	Treasury Stock Reduction	None	(Note15)
08 / 2016	NT\$10			245,649	2,456,495	Capitalization of Retained Earnings	None	(Note16)
08 / 2017	NT\$10			265,301	2,653,015	Capitalization of Retained Earnings	None	(Note17)
08 / 2018	NT\$10			291,832	2,918,316	Capitalization of Retained Earnings	None	(Note18)
08 / 2019	NT\$10	400,000	4,000,000 (Note 19)	315,178	3,151,781	Capitalization of Retained Earnings	None	(Note20)

Note 1: The Company's original registered and authorized capital stock was US\$1 per share, 15,000 thousand shares were issued, totaling US\$15,000 thousand. On December 15, 2006, it was resolved in the Shareholders' Meeting to increase the authorized capital stock to US\$60,000 thousand with 60,000 thousand shares issued.

Note 2: The Company was established on November 6, 2006, in conjunction with the restructuring of the Group's investment structure, the original investment of Paiho Holdings Ltd. in Wuxi Paiho Company was changed to an investment in Wuxi Paiho Company by the Company through Hong Kong Antex Company. Such capital was paid-in capital of US\$20,000 thousand in September 2007.

- Note 3: In line with the restructuring of the Group's investment structure, Taiwan Paiho Company's original investment in Pai Shin Company through Hon Shin Company was changed to an investment of Taiwan Paiho Company in Paiho International Company and then in the Company thereafter; also, the Company had held equity of Pai Shin Company through Hong Kong Antex Company.
- Note 4: The Board of Directors of the Company decided to increase the capital by an amount of US\$8,735 thousand on April 23, 2009 to invest in Hong Kong Antex Company. Hong Kong Antex Company repurchased the minority stake held by Wuxi Paiho Company's shareholders. Due to the change of the sales plan by some of the shareholders, the Board of Directors of the Company revised the amount of the capital increase to US\$4,213 thousand on June 19 of the same year and the paid-in capital was collected on June 23.
- Note 5: On February 3, 2009, the Board of Directors of the Company handled a cash increase of US\$10,000 thousand with the collection date of the paid-in capital listed.
- Note 6: On August 17, 2009, the Board of Directors of the Company handled a cash increase of US\$3,000 thousand with the collection date of the paid-in capital listed.
- Note 7: The Board of Directors of the Company resolved to arrange a capital increase of US\$6,000 thousand from the earnings on December 9, 2009.
- Note 8: The Board of Directors of the Company resolved to arrange a capital increase of US\$8,500 thousand from the earnings on March 4, 2010.
- Note 9: It was resolved in the Shareholder's Meeting of the Company on May 7, 2010 that the denomination per share was changed from US\$1 to NT\$10. After the conversion, 250,000 thousand shares were authorized for issuance, but only 176,423 thousand shares were issued. The paid-up capital was NT\$1,764,229 thousand.
- Note 10: It was resolved in the Shareholders' Meeting of the Company on April 19, 2011 to increase the authorized capital stock to NT\$3,000,000 thousand.
- Note 11: On April 7, 2011, the Board of Directors of the Company resolved to arrange a capital increase in cash with 22,060 thousand shares issued at NT\$10 par for a total amount of NT\$220,600 thousand. The base date of the capital increase was scheduled on May 16, 2011; also, the paid-in capital after such capital increase was NT\$1,984,829 thousand.
- Note 12: The Board of Directors of the Company resolved on August 22, 2011 to cancel the repurchased stock shares, which was approved by the Taiwan Stock Exchange on September 8, 2011 for a total of 6,000 thousand shares. The number of shares issued after the capital reduction was 192,483 thousand shares with a paid-up capital of NT\$1,924,829 thousand.
- Note 13: It was resolved in the Shareholders' Meeting of the Company on April 19, 2011 to arrange capital increase of US\$198,483 thousand with 19,848 thousand shares of common stock issued at NT\$10 per. The base date of the capital increase was scheduled on October 18, 2011 and the total paid-in capital after the capital increase was NT\$2,123,312 thousand.
- Note 14: It was resolved in the Shareholders' Meeting of the Company on June 28, 2012 to arrange capital increase of US\$169,865 thousand with 16,987 thousand shares of common stock issued at NT\$10 per. The base date of the capital increase was scheduled on September 10, 2012 and the total paid-in capital after the capital increase was NT\$2,293,177 thousand.
- Note 15: The Board of Directors of the Company resolved on March 15, 2013 to cancel the repurchased stock shares, which was approved by the Taiwan Stock Exchange on March 29, 2013 for a total of 6,000 thousand shares. The number of shares issued after the capital reduction was 223,318 thousand shares with a paid-up capital of NT\$2,233,177 thousand.
- Note 16: It was resolved in the Shareholders' Meeting of the Company on June 7, 2016 to arrange capital increase of US\$223,318 thousand with 22,331 thousand shares of common stock issued at NT\$10 per. The base date of the capital increase was scheduled on August 30, 2016 and the total paid-in capital after the capital increase was NT\$2,456,495 thousand.
- Note 17: It was resolved in the Shareholders' Meeting of the Company on June 14, 2017 to arrange capital increase of US\$196,520 thousand with 19,651 thousand shares of common stock issued at NT\$10 per. The base date of the capital increase was scheduled on August 25, 2017 and the total paid-in capital after the capital increase was NT\$2,653,015 thousand.
- Note 18: It was resolved in the Shareholders' Meeting of the Company on June 12, 2018 to arrange capital increase of US\$265,301 thousand with 26,530 thousand shares of common stock issued at NT\$10 per. The base date of the capital increase was scheduled on August 31, 2018 and the total paid-in capital after the capital increase was NT\$2,918,316 thousand.
- Note 19: It was resolved in the Shareholders' Meeting of the Company on June 12, 2019 to increase the authorized capital stock to NT\$4,000,000 thousand.

Note 20: It was resolved in the Shareholders' Meeting of the Company on June 12, 2019 to arrange capital increase of US\$233,465 thousand with 23,346 thousand shares of common stock issued at NT\$10 per. The base date of the capital increase was scheduled on August 30, 2019 and the total paid-in capital after the capital increase was NT\$3,151,781 thousand.

Type of Shares

April, 2020 ; Unit: shares

Type of shares	Authorized Capital Stock			Note
	Outstanding	Unissued Shares	Total	
Common Stock	315,178,126	84,821,874	400,000,000	Listed on TWSE

Information for Shelf Registration: Not applicable.

4.1.2 Shareholder's Structure

April 11, 2020 ; Unit: shares ; %

Shareholder's Structure	Governmental Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Individuals	China Institutions and Natural Persons	Total
Number of shareholders	0	1	49	67	14,702	0	14,819
Shareholding	0	1,363,000	21,754,337	176,672,525	115,388,264	0	315,178,126
Shareholding Percentage	0	0.43%	6.90%	56.06%	36.61%	0	100.00%

4.1.3 Distribution Profile of Share Ownership(par value is NT\$10 per share)

April 11, 2020; Unit: shares

Class of Shareholding	Number of Shareholders	Shareholding	Shareholding Percentage
1 ~ 999	9,818	564,492	0.18%
1,000 ~ 5,000	3,023	6,463,920	2.05%
5,001 ~ 10,000	713	5,176,566	1.64%
10,001 ~ 15,000	330	4,042,755	1.28%
15,001 ~ 20,000	197	3,466,662	1.10%
20,001 ~ 30,000	213	5,284,650	1.68%
30,001 ~ 40,000	118	4,037,113	1.28%
40,001 ~ 50,000	76	3,408,152	1.08%
50,001 ~ 100,000	156	10,646,454	3.38%
100,001 ~ 200,000	80	11,314,961	3.59%
200,001 ~ 400,000	46	12,894,395	4.09%
400,001 ~ 600,000	12	5,731,739	1.82%
600,001 ~ 800,000	11	7,526,317	2.39%
800,001 ~ 1,000,000	7	6,289,993	2.00%
Over 1,000,001	19	228,329,957	72.44%
Total	14,819	315,178,126	100.00%

Preferred Share: Not applicable.

4.1.4 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 11, 2020; Unit: shares ; %

Name of Major Shareholders	Shares	Shareholding	Shareholding Percentage
Paiho Int'l Limited.	162,632,396		51.60%
Kuo-lan Cheng	25,554,482		8.11%
Cheng Chia Investment Ltd.	6,733,609		2.14%
Moon Lake Holdings Ltd.	5,721,800		1.82%
Chia-Pang Tsai	3,262,896		1.04%
Kuan-Cheng Mai	2,242,000		0.71%
Cheng-Chung Wu	2,146,015		0.68%
JOHCM International Smaller Companies Equity Fund	2,120,572		0.67%
Cathay Securities(Hong Kong)Limited. -Costomer Account	2,105,977		0.67%
Hsiu-Jen Mai	1,944,000		0.62%

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.

Unit : NT\$; Shares

Item		Year	2018	2019	As of March 31, 2020
Market Price Per Share	Highest Market Price		68.40	54.80	52.00
	Lowest Market Price		34.80	37.85	23.60
	Average Market Price		50.77	44.53	40.72
Net Worth Per Share	Before Distribution		16.44	15.53	Note 6
	After Distribution		15.04	15.53	Not applicable
Earnings Per Share	Weighted Average Shares(Note5)		315,178,126	315,178,126	315,178,126
	Consolidated Earnings Per Share	Before Distribution	1.28	1.34	Note 6
		After Distribution	1.19	1.34	Note 6
	Earnings Per Share Attributable to Shareholders of the Parent	Before Distribution	1.09	1.14	Note 6
		After Distribution	1.01	1.14	Note 6
Dividends Per Share	Cash Dividends		0.2	0.6(Note 4)	Not applicable
	Stock Dividends	Earnings Distribution	0.8	0	Not applicable
		Capital Distribution	0	0	Not applicable
	Accumulated Undistributed Dividend		0	0	Not applicable
Return on Investment	Price / Earnings Ratio (Note 1)		50.27	39.06	Not applicable
	Price / Dividend Ratio (Note 2)		253.9	74.22	Not applicable
	Cash Dividend Yield (Note 3)		0.39%	1.35%	Not applicable

Note 1: Price/Earnings Ratio = Average Market Price / Earnings Per Share Attributable to Shareholders of the Parent

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: The proposal of 2019 profit distribution had approved at the Board of Directors' meeting.

Note 5: A retrospective adjustment is made according to the ratio of capitalization from earnings.

Note 6: There is no information reviewed by CPAs in the latest quarter up to the annual report publication date.

4.1.6 The Company's Dividend Policy and Implementation Status

1. Dividend Policy under the Articles of Association

According to capital expenditure plan and capital requirements in the future, the Company will allocate dividends yearly to the shareholders. Total amount of dividends shall not be lower than 25% of the Company's after-tax profit after deducting the losses, accounting for the Company's reserve as resolved by general meetings of the Company and other adjustment(s) to undistributed profits of that year. The ratio of distributions of cash dividends shall not be lower than 20% of the total amounts of cash dividends and stock dividends that recommended by the Directors.

2. Proposed Dividends Distribution in the Current Year (Not Yet Approved by the Shareholders' Meeting)

(1)The net profit is NT\$ 359,353 thousand, plus the unappropriated earnings of previous years of NT\$1,127,367 thousand, the actuarial losses included in the retained earnings, and the reduction in unappropriated earnings resulting from the provision of special reserves for NT\$ 203,803 thousand, a total of NT\$ 1,282,917 thousand is available for distribution. Please refer to the earnings distribution table.

PAIHO SHIH HOLDINGS CORPORATION Table of 2019 Earnings Distribution

		Unit:NTD
Unappropriated retained earnings of previous years		\$1,127,366,972
+2019 net profit after tax	\$359,352,901	
-Actuarial losses recognized in retained earnings	(4,807,985)	
-Special reserve	(198,994,787)	
Distributable retained earnings of current period		1,282,917,101
Distribution items		
Dividend to common shareholders	(189,106,876)	
(Cash dividend of NTD 0.6 per share; total NTD 189,106,876)		
Unappropriated retained earnings at the end of period		\$1,093,810,225

Chairman: Kuo-lan Cheng

General Manager: Kuo-lan Cheng

Accounting Officer: Yu-Min Chang

(2)In accordance with Memorandum and Articles of Association 120 (a) of the Company and approved by the Board of Directors, the dividend to shareholders of 2019 earnings will distribute NTD 189,107 thousand in cash, with NTD 0.6 per share.

(3)If changes in the capital that influence the numbers of shares outstanding

and effect changes in the shareholders' allotment ratio, it is proposed to authorized the Chairman to adjust related matters.

(4)The Board of Directors approved the cash dividend distribution proposal, and have authorized the Chairman to set the record date and payable date for distribution dividends. The cash dividends will be calculated according to the common stock shareholders listed in the registry and their shareholding ratio on the record date. The dividend will be paid in cash with calculation rounded down to the nearest on NTD (any amount under one NTD will be discarded). The remaining fraction will be incorporated into other revenue of the Company.

4.1.7 The Impact of Stock Dividend Issuance on Business Performance, and EPS.

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

Year		2020
Item		
Beginning Paid-in capital		\$3,151,781
Dividend Distribution of the Year	Cash dividend per share(Note 1)	0.6
	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 2)
	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
		Pro Forma annual investment return
	If no stock dividend from capital surplus	Pro Forma Earnings Per Share
		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
		Pro Forma annual investment return

Note 1: The proposal of 2019 profit distribution had approved at the Board of Directors' meeting.

Note 2: The Company is not required to publish its 2020 financial forecasts; therefore, the 2020 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 Association

Based on the Articles of Association of the Company, employees' compensation in cash or shares shall not lower than 1% of the profit and directors' remuneration in cash shall not be higher than 3% of the profit. Employees' compensation shall be distributed to the employees of the Company and its affiliates qualifying for a certain criterion.

The profit described above shall mean profit before income tax deduct employees' compensation and remuneration of directors.

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.

If the distribution amount resolved by the Board of Directors differs from the estimated amount booked, the difference is adjusted to the expenses in 2020.

3. Information on Approval by the Board of Directors of Distribution of 2019 Compensation

(1) The distribution of compensation in cash to employees and remuneration in cash to directors is US\$ 122,516 and US\$ 99,965 respectively. If there is any discrepancy between the actual distribution and the estimated employees compensation, or directors' remuneration, additionally disclose the discrepancy, cause, and how it is treated.

Unit : USD Dollars

Item	Board of Directors' Resolution	Estimates	Discrepancy	Difference	Handing Status
Employees' Compensation	122,516	131,742	(9,226)	It is adjusted according to the annual actual performance.	The difference is adjusted to the expenses in the first quarter of 2020 .
Remuneration to Directors	99,965	100,370	(405)		

(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 the financial statements for the current period and total employees'

compensation.: N/A.

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 : USD Dollars

Item	2018		Discrepancy
	Shareholders' Meeting Resolution	Board of Directors' Resolution	
Employees' Compensation	111,075	111,075	0
Remuneration to Directors	90,630	90,630	0

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. Main Content of Business Operated by the Company

The main business items of the Company include the manufacturing and sale of touch fastener, webbing, shoelace, elastic, jacquard engineered mesh and relevant peripheral materials for garments, shoes, 3C products, medical products, and sporting goods as well as the sale of residential buildings constructed by entrusted construction contractors. In addition, in response to the market demand, in 2019 the Company entered the mask business in the biotech sector to provide new momentum for future operations.

2. Business Proportion of Main Products

Unit : NT\$ thousands

Product \ Year	2019	
	Amount	%
Webbing(Shoelace)	2,378,794	36.4
Premises(including Parking Space)	1,300,737	19.8
Touch Fastener	1,256,169	19.1
Jacquard Engineered Mesh	558,785	8.5
Elastic	518,780	7.9
Others	554,288	8.3
Total Net Sales	6,567,553	100.0

3. Item and Purpose of Main Products

- (1) Webbing (shoelace): They mainly includes woven strips and shoelaces that are mainly used in general household consumption, medical products, clothing, 3C products, and sporting goods.
- (2) Touch Fastener: Since touch fasteners are equipped with the characteristics of convenient fastening and facilitated removal, they are widely used in general household consumption, medical products, sporting goods, and auto supplies.
- (3) Elastic: They have characteristics of long-lasting tension, excellent permeability, water resistance, resistance to deformation, such that they are widely used in general household consumption, medical products, clothing, and sporting goods.
- (4) Others: In recent years, the Company has invested greatly in the development of the manufacturing and sale of jacquard engineered mesh, which can be used in shoes, garments, bags, and 3C products. In addition, to satisfy the demand for one-stop shopping of customers, the Company cooperatively sells various types of auxiliary materials, including easy tape. In addition, to seize the opportunity in the emerging internal demand market in China, apart from real estate development and sales, the Company entered the biotech industry to engage in the R&D and sales of 3D protective masks.

4. New Product (Service) Development Plan

The annual planned development in 2020 for new products and research of the Company and subsidiaries include: Elastic fabric of polyester warp knitted jacquard, self bending elastic fabric, marine recycled yarn, improvement of dyeing equipment for super yarn, hot pressing products of seamless needle car, research on weaving technology of special high strength and adhesive touch fastener, and research on fabric roll coating technology and equipment, etc.

After long-term collaboration with a great number of brand customers in China, Wuxi Paiho Company and Dongguan Paihong Company have consecutively received the China provisional class of high technology enterprise certifications. In recent years, the Company has also entered into the product development of jacquard engineered mesh in order to ensure the

leading position of the Company in the industry.

5.1.2 Industry Overview

1. Industry Current Status and Development

The current main product items of the Company include touch fastener, webbing (shoelaces), elastic, and jacquard engineered mesh, etc., and their applications are relatively broad, such that they are used in various general household consumption products, sporting goods, and medical products, etc. The application status and the sale of residential buildings constructed by entrusted construction contractors are further classified and explained in the following.

(1) General household consumption goods

In view of the economic development in China, garment clothing and shoes are general household necessities, and the main market thereof is closely related to the population of the country and national income. As the population of China is the largest in the world and the income of cities and towns continues to increase, the internal demand for textile and clothing products is expected to continue to increase stably, and the internal stable growth is the key driving force for the development of the textile industry.

According to the data of China Chamber of Commerce for Import and Export of Textile and Apparel, the 2019 revenue from textile and apparel trade reduced by 2.2% YoY to US\$296.55 billion, where the revenue from export reduced by 1.9% YoY to US\$271.89 billion, and the purchases from import reduced by 5.8% YoY to US\$24.66 billion. The severe impact of the US-China trade war on the Chinese export volume led to the deepest fall over the past decade. The growth in Chinese textile exports has slowed significantly.

Chinese Citizen Disposable Income Summary

Unit: RMB

Type \ Year	2019		2018	
	Amount	% Increase From Same Period of Last Year	Amount	% Increase From Same Period of Last Year
Average Disposable Income for Citizens of Cities and Towns	42,359	7.9	39,251	7.8
Average Disposable Income for Citizens of Rural Villages	16,021	9.6	14,617	8.8

Source of information: National Bureau of Statistics, PRC

According to the statistics of the National Bureau of Statistics, PRC, in 2019 the Chinese citizens increased continuously by 8.9% YoY to an annual disposable per capita income of RMB 30,733, where the disposable per capita income in urban areas increased by 7.9% YoY to RMB 42,359, more steadily than the previous year; and the disposable per capita income in rural areas increased by 9.6% YoY to RMB 16,021 to slightly raise the buying power of rural residents. The Chinese consumption expenditure per capita increased by 8.6% YoY to RMB 21,559, where consumption expenditure per capita on clothing and footwear increased by 3.8% YoY to RMB 1,338. This consumption increase also influenced the producers of consumer products (including clothing and footwear).

China Domestic Consumer Product Retail Amount Summary

Unit: RMB 100 million

Type \ Year	2019		2018	
	Amount	% Increase From Same Period of Last Year	Amount	% Increase From Same Period of Last Year
China Domestic Social Consumer Product Retail Total Amount	411,649	8.0	380,987	9.0

Source of information: National Bureau of Statistics, PRC

According to the statistics of the National Bureau of Statistics, PRC, the China social consumer product retail total amount in 2019 was RMB 41.1649 trillion, an increase of 8% from the last year, and the rate of increase was relatively slower than the previous years.

In general, Chinese economic growth will require adjustment and markdown as a result of the intensifying US-China trade war results in 2019, and the consumption of textiles and clothing products was affected greatly with slow growth.

(2) Medical products and sporting goods

A. Sporting goods

The sporting goods industry is an important part of the sports industry. China has become the largest sporting goods manufacturing country in the world. However, due to the Chinese labor cost increase, rigorous environmental protection requirements, along with the trade barrier in various countries in recent years, manufacturers are moving toward the Southeast Asian region. Although people have reduced exercise outdoors due to the impact of the COVID-19 pandemic in early 2020, they realize the importance of promoting health through exercise. Many people exercise at home to improve immunity and buy sports equipment and apparel, which has passively stimulated the consumption of sports goods.

B. Medical products

(a) Family sanitation and care products

In recent years, China has had a large population base. At the end of 2019, the total population in China was 1.40005 billion people, an increase of 4.67 million people from the end of the previous year. In addition, the aging population is increasing rapidly year after year, such that China has become the country with the largest aged population in the world. According to the latest information of the National Bureau of Statistics, PRC, the population aged above 60 years old is 253.88 million people, accounting for 18.1% of the total population. With the increasing size of the aged population and the relatively greater longevity, along with the increase of the average pension income of the elderly in China, the thoughts on health care

have also changed. For the nursing and rehabilitation products designed for the daily family safety of the elderly and body condition characteristics, there will be huge market demands in the near future. Furthermore, the popularity rate for individual or family medical equipment in China is still far lower than the rate in European and American countries; therefore, the expected growth will be much greater.

(b) Mother and Infant daily care products

As the Chinese government encourages the birth of second children, the policy of second children is fully permitted for implementation. Consequently, newborns may have exponential growth with increased birth rate, such that in a short time, it will directly promote the consumption demands for maternal and child medical care, maternal and child living products, etc., and the direct benefits will be diaper products. To cope with the demands of diaper products, the Company focuses on the performance of environmental protection and safety, and engages in the joint development of touch fastener accessories for diapers with domestic brands in order to continuously expand the product application fields for the Company.

(c) Protection products

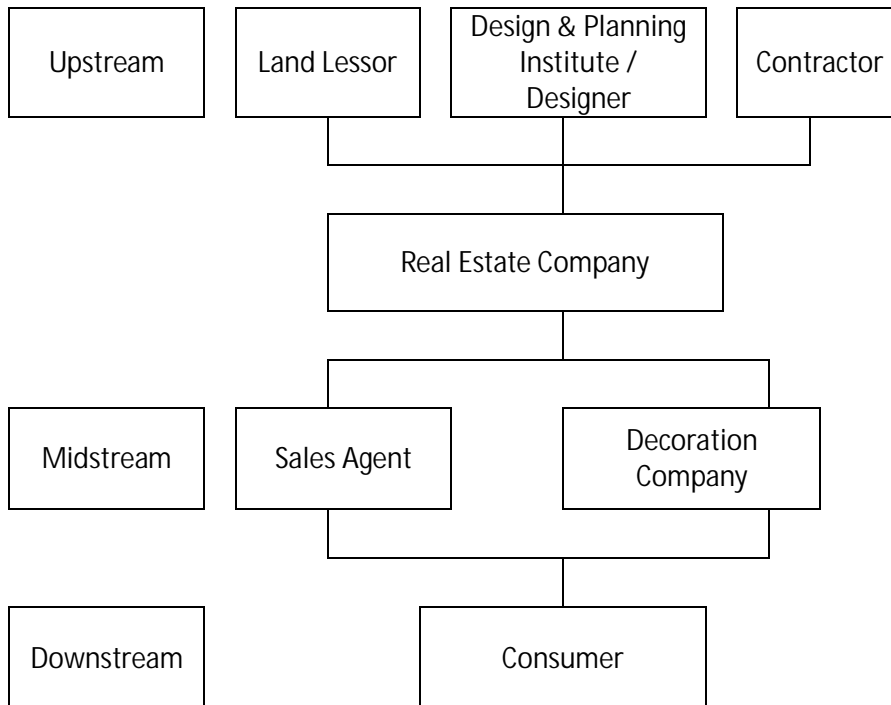
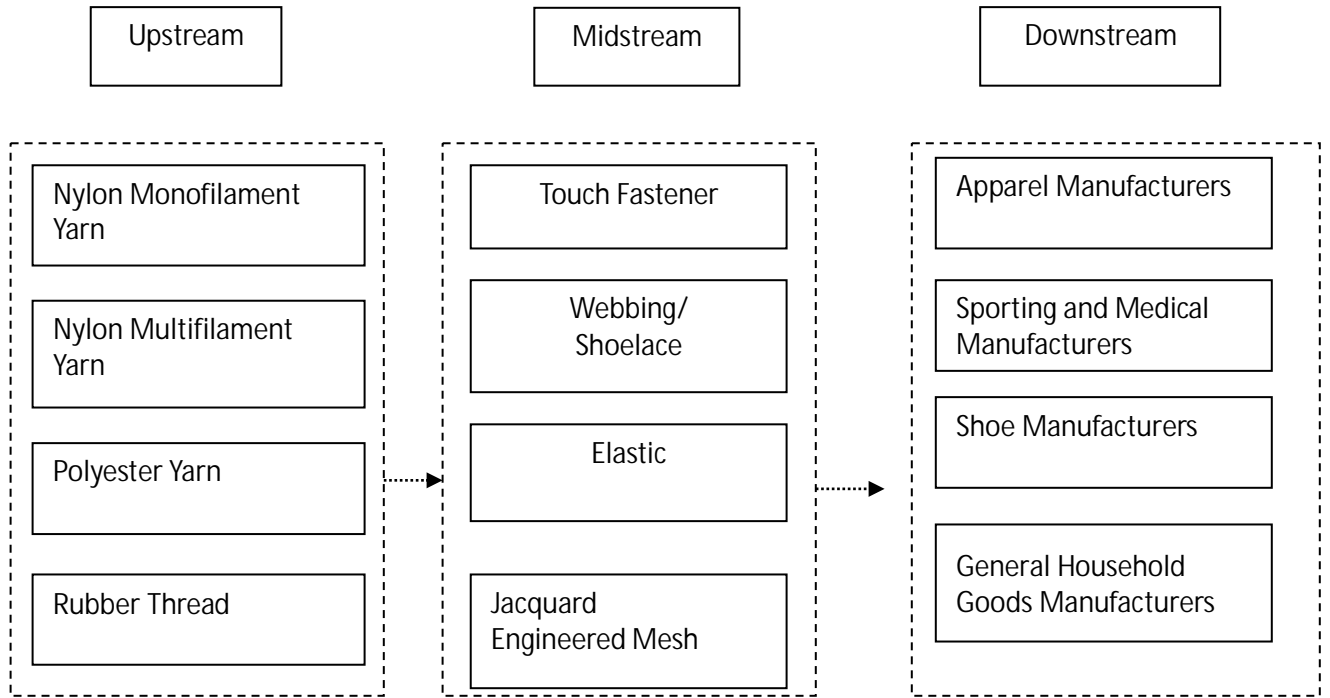
Emergencies and new-types of communicable diseases have created epidemics worldwide in recent years. Although China has experienced a fast GDP growth, its side effects begin to emerge, and the deterioration of environmental pollution has been threatening human health. According to the report of National Health Commission, PRC, the incidence rate of Chinese notifiable diseases has been rising. As most notifiable diseases are transmitted by droplets or air, facial masks are the most commonly used personal protective equipment. With the rise of living standards and public health concerns, the demand for protective masks increases by over 15% every year. COVID-19 emerged in late 2019 is threatening human lives severely. The protective masks produced by the Company can benefit the public

and medical professionals in a timely fashion.

(3) Real estate market

In 2019, the overall real estate market in China was able to still maintain stable development under various adjustment and control policies. The real estate development investment was RMB 13.2194 trillion, an increase of 9.9% from the previous year. The national commercial housing sales area was 1.71558 billion square meters, a decrease of 0.1%, wherein the residential sales area increased by 1.5%. The national commercial housing sales amount was RMB 15.9725 trillion, an increase of 6.5%, wherein the residential sales amount increased by 10.3%. However, the year of 2019 was also a year of the most intense real estate adjustment and control policies, and the number of various adjustment and control policies reached 620 times. The land the Company auctioned is located in Wuxi City, Jiangsu Province. Wuxi, as a second-tier city, is under the implementation of the “limited purchase, limited price, limited sale” policy throughout the year. Nonetheless, the annual commercial housing projects deal closures reached 56,028 units, a decrease of 14% from the same period of the previous year. The construction products developed by Wuxi Paihong Company are finely decorated finished house units, different from the general non-decorated house units launched on the market. In addition, with the gradual formation of the living function and traffic facilities in the high-speed rail business district, the project is able to attract buyers with the improvement of actual living demands. Consequently, the overall sale of the project is excellent. It is believed that with the increasing demand for housing in the surrounding areas, the real estate market in Wuxi will grow positively and steadily, and the Wuxi Paihong Company can also secure a favorable position in the construction market.

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



3.Various Development Trends of Products

(1)The scope of product usage becomes more diverse, increasing the functional demands, environmental protection demands, and healthcare demands.

In the future, products will not only focus on economic factors and appearance, practicality, durability, health, environmental protection, and safety but also head toward the product development trend of diversity and user-friendliness.

(2)Focus on environmental protection of products and manufacturing processes.

In recent years, with the global emphasis on the environment and green environmental protection has become the focus of concern by great consumers. Daily wear and use textiles are required to comply with relevant international standards. In addition, as the "greenhouse effect" becomes prominent, the reduction of carbon emissions for textile products and the manufacturing process there are emphasized, such that it generates an active effect on environmental improvement.

(3) Diverse styles

To control the inventory, to reduce the risk of market change, and to satisfy the personalized characteristics of new consumers, each brand giant significantly shortens the market launch period of new styles, such that the product delivery date is shortened and the characteristic of small orders gradually becomes common.

(4) Cope with the market demands, create a real estate brand.

It is expected that in 2020, the real estate market policy in China will become slightly relaxed in a stable manner, and the inelastic demand housing in the market will still be the key driving force. In addition, with the promotion of the second child policy implemented in recent years, housing with improvement of actual demands are relatively more welcome in the real estate market. To cope with the market status, Wuxi Paihong Company analyzes the market demands and launches finely decorated inelastic demand housing and improved housing in order to provide a living

environment that is more friendly and comfortable to customers.

4.Competition

There are a great number of competitors for the main products of the Company. If there is no brand development certification and major difference in functionality, other competitors in the market are able to easily use low-price sales as the main competition strategy. To cope with the market demands, the Company will continue to develop various new products, and will also establish subsidiaries in South East Asia in order to service customers locally. Through a comprehensive service strategy, the Company is able to cooperate with customers in the joint development of new products in order to allow the product quality to be recognized by the international giant makers. Consequently, the impacts of price competition of operators in the same industry on the Company are limited. The Company actively invests in research and development as well as environmental protection, such that the Company has gained consistent recognition from brand customers. This also maintains the competitive advantages of the Company.

5.1.3 Technology and Research and Development Overview

1. Research and Development Expenses in the Recent Year and Up to the Annual Report Publication Date

The ratio of the research and development expenses over the net sales of the Company is as follows:

Unit : NT\$ thousands

Item \ Year	2019	As of March 31, 2020
R&D Expenses	438,641	Note
Net Sales	6,567,553	Note
As % of Net Sales	6.68%	-

Note : There is no information reviewed by CPAs in the latest quarter up to the annual report publication date.

2. Technology or Products Developed Successfully in the Recent Year.

(1) Granted patents already obtained by the Company in 2019.

The Company obtained a total of 15 patents for touch fastener, webbing, shoelace, and jacquard engineered mesh in this year.

(2) Development direction of future research and development works.

A. Enhance the research and development of jacquard engineered mesh fabric related products.

In recent years, the Company has actively developed jacquard engineered mesh fabric to enter into the primary material supply chain for shoe materials, bags, caps, and garments, etc. The jacquard engineered mesh fabric complies with the market trends of environmentally-friendly, light weight, and appealing, etc. In addition, it is able to save labor costs for downstream customers; therefore, it has become the mainstream material in the shoe industry and garment industry.

B.Continue to improve machinery, develop innovative, practical, appealing, environmentally-friendly, safe, decorative, and high-quality products. Provide new lives to products, create fashion trends, and increase market shares of the products.

C.Continue to research and develop products with special comfort functions, health care functions, protective functions, and facilitated use functions, in order to increase the added value of textiles and product quality, thereby increasing the corporate economic benefits.

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

1. Marketing and Sales Strategy

(1) Short-term plans

- A. The COVID-19 pandemic has traumatized the world's normal operation as well as China's production and business activities. It is necessary to recover all parts of the supply chain and product process and optimize development, sales, and delivery service networks to create a new horizons for industry.
- B. Continue to research and develop new products in order to increase the diversity of products and improve product quality and competitiveness. Cooperate with the research, development, design, manufacturing, and marketing sales of jacquard engineered mesh fabrics, achieving the transformation into a comprehensive material supplier.
- C. The Company will continue to develop mobile and online management systems to maintain constant cooperation with customers and all functional departments within the Group in different regions with the advantage of the mobile office.
- D. Strengthen the "green factory" and the environmentally-friendliness of products, manage the carbon emissions and water drainage of products of the Company in order to meet the expectations of terminal customers and energy-saving and carbon reduction for various countries around the globe.

- E. Enhance the planning in Vietnam in order to shorten the service time requirements and to service customers locally.
- F. Strengthen the development of the Wuxi commercial and residential lands, adopt the pre-sale method to expedite the real estate selling rate in light of bringing a new profit growth point for the Company.
- G. Apart from accelerating the mask production and marketing of Wuxi Paiwei Company, we will speed up the application for the permit to produce medical masks with the rise of the COVID-19 pandemic.

(2) Long-term plans

- A. Through the development, manufacturing, and sales of jacquard engineering mesh fabric, the Company expects to become the primary material supplier for the shoe industry and bag industry, etc.
- B. We will constantly enhance Wuxi Paiwei Company's deployment in the healthcare market.
- C. Deepen the joint development of new products with well-known brand makers in China and foreign regions, manage customer relationships in order to become strategic cooperating partners for long-term development.
- D. Plan the Vietnam market, establish operating locations equipped with the complete functions of research and development, design, manufacturing, and sales, etc. for jacquard engineered mesh fabric. Deliver products and service customers locally in order to sufficiently increase the market competitiveness and market share.
- E. Enhance our capacity in the development and operation of office and commercial buildings through the office building construction projects of Wuxi Paihong Company.

2. Manufacturing Strategy

(1) Short-term plans

- A. Improve product quality and yield rate, control production time, strengthen the integration of manufacturing process automatic production technical level.
- B. Implement the operation of each stage of the ISO9001, national standards

of the People's Republic of China, and enterprise quality management system.

C. Continue to promote product carbon footprint and water footprint certification and the environmental protection responsibility management for a "green factory".

D. Uniform purchase of main raw materials in order to control quality and increase the price bargain power.

E. Enhance the research and development design abilities for product and manufacturing technologies.

(2) Long-term plans

A. Expand the operation of manufacturing sites, adopt the method of servicing customers locally and creating maximum profit.

B. Cope with the order placement demands for small quantities with a great diversity of customers. Implement precision and solid management. Establish a timely and flexible production supply chain.

C. We will actively recruit R&D talents to maintain leadership in business.

3. Financial Strategy

(1) Short-term plans

A. Implement budget system promotion work in order to facilitate the achievement of the financial plan.

B. Cultivate new business investment and financial management talents.

(2) Long-term plans

A. Cultivate international financial management talents.

B. Raise funds necessary for the corporate development from the capital market.

4. Management Strategy

(1) Short-term plans

A. Continue to implement the TQM overall quality management system in order to continuously improve the operation performance.

- B. Implement system integration with best efforts in order to reduce costs and increase operation efficiency, thereby increasing the overall competitiveness of the Company.
- C. Introduce human resource management professional talents, construct manpower resources, and establish a manpower development plan in order to reserve talents necessary for the corporate expansion.
- D. Establish a complete system satisfying customer demands, and continuously develop paperless and smart mobile phone management procedures for ERP management software in order to improve the timeliness of management.

(2) Long-term plans

Construct a cross-border management system in order to establish the foundation for the international business operation of the Company.

5.2 Market and Production/Sales Overview

5.2.1 Market Analysis

1. Sales Region of Main Products

Unit : NT\$ thousands

Area		2019		2018	
		Amount	%	Amount	%
China		4,885,485	74.4	4,737,699	79.1
Other Area	Asia	1,448,079	22.0	1,035,874	17.3
	Americas	158,384	2.4	157,535	2.6
	Europe	15,538	0.2	60,937	1.0
	Others	60,067	1.0	802	0.0
	Subtotal	1,682,068	25.6	1,255,148	20.9
Total		6,567,553	100.0	5,992,847	100.0

2. Market Share

The main business items of the Company include the manufacturing and sales of touch fastener, webbing (shoelace), elastic ,and jacquard engineered mesh for garments, shoes, medical products, and sporting goods. Presently, although there is still no relevant statistical data to objectively evaluate the market share, based on the estimation of the purchase ratio of sporting goods or garments, etc. international brands or customers of Chinese local new emerging brands purchasing from the Company, the relevant products of touch fastener and webbing (shoelace) of the Company have an extremely high market share in international brands and Chinese well-known brands, making the Company as one of the main suppliers for touch fastener and relevant products for all well-known brands.

3. Market Future Supply and Demand Status and Growth

According to the announcement made by the National Bureau of Statistics, PRC, the economic growth rate in China in 2019 was 6.1%, which is

the lowest since 1991. Despite the economic growth rate in China continuing to decrease, nevertheless, the economic total amount in China exceeds RMB 100 trillion. The COVID-19 pandemic that broke out in late 2019 has tremendously limited citizen travel and social development in China. The Chinese government has launched a series of inclusive stimulation policies in response, hoping to stimulate China's domestic consumption. In addition, the Vietnam Paihong Company after the break-in period began to operate normally and is able to meet the strong demand in Southeast Asia.

The products of the Company are widely used in the general consumer products of clothing and shoes, sporting goods, medical products, auto supplies, etc. The development of various types of products changes from time to time, and the Company also continues to grow along with the increase of the demand for various products. The Company has always valued the understanding of market fashion trends. Through active collaboration with all brand giants, it jointly develops new products in order to obtain the fashion trends and to introduce new technologies. With the development of jacquard engineered mesh products and the establishment of the production site in Vietnam, the Company is able to service customers locally and to utilize the sales network and customer group in order to enter into the primary material market of the garment industry, shoe industry, and bag industry, etc. Therefore, it is expected that the product sales of the Company will continue to grow stably along with the continuous development and utilization of new products. In addition, Wuxi Paihong Company has developed relevant commercial and residential housing and land benefiting from the significant increase of real estate price in China and the great increase of surrounding housing demand. The first phase has been completed and delivered, creating a new growth point for the operating revenue and business of the Company. In addition, masks are the major scope of Wuxi Paiwei Company's business. Although we have a short history in this business and the certification of related systems is pending, Wuxi Paiwei Company has fully charged its capacity and engaged in internet marketing during the COVID-19 pandemic to supply 3D protective masks to Wuxi and different parts of China, and these products were recognized by different parts of society.

4.Competitive Niche

(1) Strong research and development ability.

The Company has established a high technology research and development management center, integrating highly efficient manufacturing capabilities and researching various types of new products in order to strengthen the competitiveness of the products of the Company as well as to obtain and manage key technical capabilities. In 2019, the Company obtained 15 granted patents. Wuxi Paiho Company was evaluated to be the high technology enterprise in Jiangsu since 2010. Dongguan Paihong Company also received the evaluation for a high technology enterprise in Guangdong in 2015. Consequently, both subsidiaries enjoyed the preferential tax for high technology enterprises according to relevant laws of China.

(2)Cooperating with customer demands, the Company has established various manufacturing and sales sites in order to enhance customer contact and to provide services promptly.

In addition to the establishment of subsidiaries with manufacturing and sales functions in Wuxi and Dongguan, China, and in Vietnam, the Company has also established branches in Quanzhou and Dongguan, and a development center in Shanghai, China, thereby providing services to customers in China and the Southeast Asian region locally and in a timely manner.

(3)Collaborate with brand giants, ability to jointly develop new products.

With sufficient product lines and the post-manufacturing process ability, the Company is able to engage in collaboration with well-known giant brand makers in the joint development of new products. Brand customers are not limited to the international well-known giant brand makers in the textile and shoe industries, the customers of the Company also include Chinese internal market brands and electronic, medical product, and auto international brands. The approval and recognition of all important customers of the Company promote joint growth with all giant brand makers in order to become long-term strategic cooperating partners.

(4)Diverse products, providing one-stop shopping service to customers.

In addition to the manufacturing of traditional high-quality touch fastener, to satisfy the market demands, the Company has further increased the production of various types of webbing and elastic as well as jacquard engineered mesh. Furthermore, the Company also imports products of easy tape and jacquard digital woven fabric, etc. in order to perform various customized post-manufacturing processes, thereby satisfying different aspects of customer demands. Through research and development as well as the manufacturing of diverse products, along with the cooperation with different customer demands, the Company is able to provide products and services satisfying customer demands.

(5) Integration and great manufacturing capability.

The Company focuses on research design and production manufacturing. In addition to the use of advanced machinery and equipment, the Company is also equipped with the capacity for research and development as well as equipment improvement in order to achieve a high level of automation. Furthermore, in addition to the investment in machinery and equipment, for the production process, from the operation of weaving to dyeing, the Company adopts an integrated operation process in order to save labor costs and increase production yield rate and efficiency, thereby ensuring the excellence and stability of product quality.

(6) With an excellent quality management system in conjunction with rigorous quality demands, the product quality of the Company is greatly approved by customers.

The Company is equipped with a management team, and for the aspects of manufacturing, sales, human resources, research and development, as well as financial aspects, professional managerial officers are assigned to be in charge of such fields. With the participation and effort of all employees, the Company has obtained the certifications of ISO9001, ISO14001, and ISO50001, as well as the product certifications for carbon footprint and water footprint issued by the CQC. In addition, the Company continues to receive certificates from all giant brand makers, and product quality has received great recognition from customers. Moreover, Wuxi

Paiho Company and Dongguan Paihong Company have been evaluated to be “green factories” by the Ministry of Industry and Information Technology of PRC in 2018 and 2019 respectively.

In view of the above, the Company has significant competitiveness in terms of the research design, production scale, product quality, and obtaining of market trends, etc. Through the integration of the capabilities and resources in various aspects of management, research and development, manufacturing, and sales, etc., the Company is able to continuously develop and manufacture products with excellent quality, to provide complete services to customers, to create room for high added value, and to improve the overall competitiveness of the Company.

5.Favorable and Unfavorable Factors for the Development Outlook and Countermeasures

(1)Favorable factors

- A.In recent years, the Chinese government has greatly developed the domestic demand market and implemented the personal income tax reduction, reduction of VAT and social insurance fees, and “second child” policy, such that domestic demand consumer products have gradually become the development focus of all major business operators, which is also advantageous to the revenue growth of the Company.
- B. The reputation of Chinese local brands, such as the sports brands of Li-Ning, 361, ANTA, etc., has significantly increased worldwide. The Company always values cooperative development and material supply with Chinese brands, and assists customers to reduce costs, and increase profits and product competitiveness.
- C. The Company established a production site in Vietnam to seize the opportunity in the Southeast Asian region and to service customers locally. In addition, with the tax preference and excellent trading policy in Vietnam, the overall revenue and profit of the Company has increased.
- D. After the Chinese government started to emphasize environmental protection, the requirements of brand makers on whether products and the production line of suppliers comply with the environmental protection regulations will receive greater attention. This will certainly bring new opportunities to the development of the Company that values environmental protection development.
- E. The manufacturing process and research and development abilities of the Company are great, and the Company is able to continuously cooperate with customers in the development of new products. In recent years, the Company further included the development of jacquard engineered mesh fabric in order to expand the application field of the products to the primary material market.

(2) Unfavorable factors and countermeasures

A. Global trade barriers increase, US-China trade war continues.

The China's major export market is still the US, and the trade war between China and the US continues. Despite the situation being slightly relieved between the two countries, it is expected that the trade war will have certain impacts on the overall output, in particular on the downstream customers of the Company.

Countermeasures

The Company has already established Vietnam Paihong Company in Vietnam in order to seize the opportunity in the Southeast Asian region and to service customers in Vietnam locally. In recent years, the Company also introduced the jacquard engineered mesh product and planned operations in Vietnam, in order to enter the primary material market for the shoe industry and bag industry, etc. Consequently, the Company is able to prevent the loss of quality customers while expanding the new emerging market with the greatest extent.

B. Labor costs increase.

In recent years, the housing prices and other living costs in the regions where the Company is located have increased. The labor costs indeed have increased significantly for enterprises, causing enterprises to hire employees at a higher wage or to relocate to inland cities of China or regions of Southeast Asian countries with lower wages for the establishment of factories.

Countermeasures

The Company continues to introduce high-speed and automated equipment in order to seek the effective utilization of human resources and to reduce the number of employees, as well as heading toward the capital-intensive manufacturing method in order to increase production efficiency and increase the sales opportunities. Furthermore, the Company also enhances the on-job training of employees in order to increase the operational efficiency of unit manpower.

C. COVID-19 speeds up global economic slowdown.

The COVID-19 epidemic broke out during Spring Festival in 2020 led to a shutdown of all businesses and schools in China for one month and gradually turned into a pandemic, worsening condition of the global economy.

Countermeasures

The Chinese government is enhancing the adjustment of the financial structure of businesses and society by simulating domestic demand through tax reduction and relaxation of currency policy, etc. In addition, our subsidiary Wuxi Paiwei Company in Wuxi specializes in mask production. Although it is at the beginning of operations, instead of shutting down operations due to COVID-19, it has expanded its capacity to provide people with safety and protection. As factories in most part of China have resumed operations since late February 2020 while the pandemic continues around the world, it is estimated that the mask demand will continue to rise to benefit Wuxi Paiwei Company. Furthermore, the Company will continue to develop high gross profit products and expand the application aspects of products, enhance domestic sales, and strengthen the channel sales ability in order to gain market share in China. In addition, the Company will also strengthen the business development in Vietnam in order to reduce the impact on the earnings due to the slowing down of China's export growth.

D. Price reduction competition in the same industry.

Since the basic manufacturing patents for touch fastener and various webbings have been expired for a long period of time, conventional operators can enter into production with basic manufacturing machineries. There are small and medium enterprises in the market joining into the production of touch fastener and various webbings, and they adopt the method of price reduction competition to gain orders.

Countermeasures

Although the basic manufacturing technology for touch fastener and webbing can be duplicated easily, nonetheless, the product

quality varies in the market. With long-term production and post-manufacturing processing experience, along with the research and development abilities to engage in joint development of new products with giant brand makers, the Company is able to develop durable and appealing products in a timely manner. For the new products of the Company, the Company has obtained 15 patents of Chinese invention patents and utility model patents in 2019, leading the others in the industry.

E. Risk of the “real estate limitation” policy in China.

Since the “real estate limitation” policy adopted by the Chinese government, for the hot-spot cities of Wuxi, etc. under the effect of the policy of “limited purchase, limited loan, limited sale, limited price”, the housing prices have been slowing down entirely.

Countermeasures

The products launched by the Company are the finely decorated house units, and the Company emphasizes the product concept with distinction in the quality, function, and the care for environmental protection, such that they are different from the general “non-decorated houses” launched in the market, in light of attracting buyers with the improved actual living demands after the implementation of the “second child” policy. All pre-sold units of phase I launched in the second round in Wuxi, China, were old out “in seconds”, marking out that product differentiation can stand the test of market. We will continue to develop phase II with the same product spirit, thereby reducing the impact of the change of the government policy on the construction project of the Company.

5.2.2 Major Applications and Manufacturing Process of Main Products

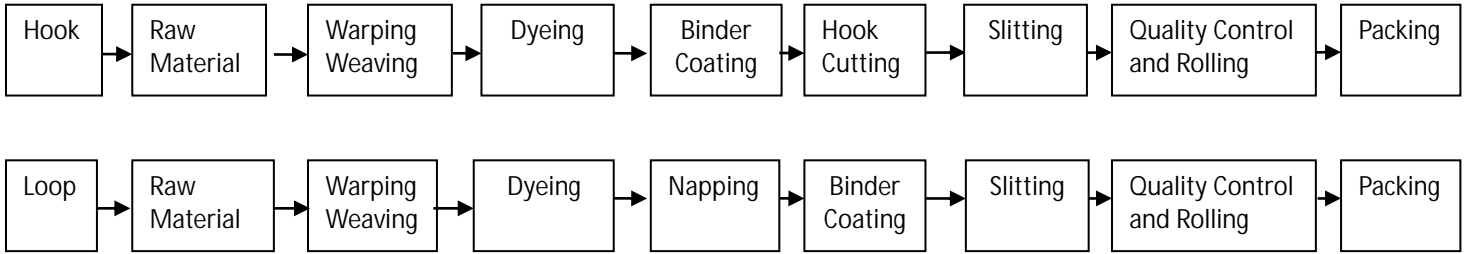
1. Major Applications of Main Products

Presently, the main product items of the Company include touch fastener, webbing (shoelace), elastic, jacquard engineered mesh and relevant peripheral materials, etc. The application scope of each product is relatively broad, and in the fields of clothing, shoes, bags, medical care, and sporting goods, etc., the application of such products can be found, and the sale of residential buildings constructed by entrusted construction contractors are respectively described in the following:

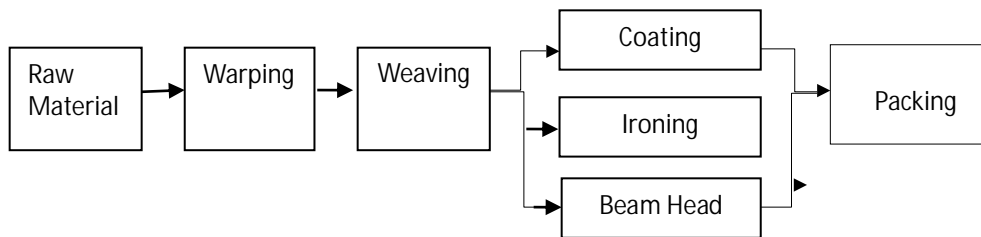
Major Products	Major Application
Touch Fastener	Auxiliary materials for shoes, garments, raincoats, caps, sporting goods, and belts, etc.
Webbing / Shoelace	Accessories of edge decoration for shoe uppers, eyelets and lace, leathers, rear straps for sports bags, and caps, etc.
Elastic	Pants straps, jacket lower hems, cuffs, shoe upper cloth, and other product accessories requiring tightening functions.
Jacquard Engineered Mesh	Primary materials for shoes, garments, sporting goods, child carts, baby goods, household textiles, etc.
Residential Building	Residential Building

2.Manufacturing Process of Main Products

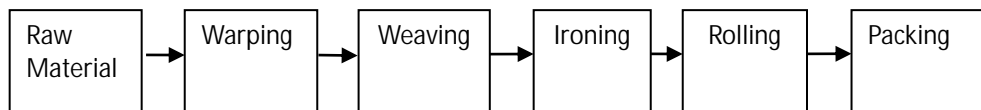
(1) Manufacturing flowchart of touch fastener



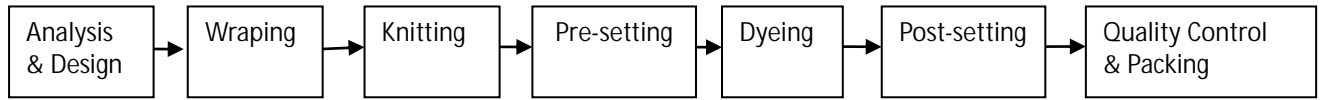
(2) Manufacturing flowchart of webbing (shoelace)



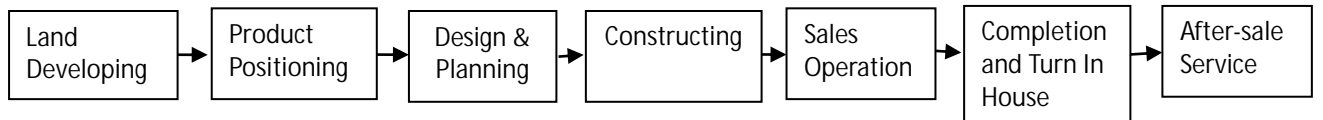
(3) Manufacturing flowchart of elastic



(4) Manufacturing flowchart of jacquard engineered mesh



(5) Manufacturing flowchart of residential building



5.2.3 Supply Situation of Major Raw Materials

Major Raw Materials	Source of Supply	Supply Situation
Nylon Monofilament Yarn	ToliteX (Guangzhou) Corporation Ri-Thai Fiber(Guangzhou) Corporation Ri-Thai Fiber(Kun Shan) Corporation	Stable
Nylon Multifilament Yarn	Formosa Chemicals &Fiber Corp. Zig Sheng Industrial Co.,Ltd.	Stable
Polyester Yarn	Xiamen Xianglu Chemical Fiber Co.,Ltd. Rongsheng Petro Chemical Co.,Ltd. Jvan An Int'l(K.S) Co.,Ltd. Su Zhou Chameleon Fibre Dyeing Co.,Ltd. Shen Liang Cherng Twisting Yarn Co.,Ltd. Herng Fa Industrial Co.,Ltd.	Stable
Rubber Thread	Rubberflex Sdn.Bhd (Malaysia) H.V.Fila Co.,Ltd.(Thailand) Dongguan Wai Ho Fat Rubber Trading Co.,Ltd.	Stable

The main raw materials of the Company include nylon monofilament yarn, nylon multifilament yarn, polyester yarn, and rubber thread, etc. The procurement information of the Company is maintained with close cooperative relationships with the upstream key raw material suppliers. The suppliers are able to provide the international price trends, relevant market information, and quotations at any time in order to serve as the reference for the procurement decision making of the Company. Over the long period of cooperation of the Company with suppliers, both parties have established a long-term stable demand and supply relationship. Each year, both parties jointly discuss the raw material supply plan for the year, and the suppliers are informed of the quantity of raw material actually required for each month in order to arrange the production accordingly. Over the past years, despite the two parties having not signed long-term material supply contracts, under the sufficient collaboration between the two parties, the sources of raw material supply required have been relatively stable and there have been no supply shortages or interruptions affecting the sale of products. In addition, the main raw materials of the Company are purchased from at least two main suppliers in order to decentralize the incoming material. Consequently, the material supply status is excellent.

In 2013, the Company acquired a construction area of 54,788 square meters in the high-speed rail commercial district in Wuxi City, China. Relevant construction outsourcing works are handled according to the relevant internal operation procedures of the Company in order to select appropriate contractors. The Company assigns personnel to perform construction site supervision and management, and also entrusts a third-party supervisory company to perform supervision and management on the construction quality according to the relevant laws of China. Therefore, the Company is able to achieve effective control of the construction progress and quality; consequently, there is no occurrence of material supply shortage or interruption.

5.2.4 List of Major Suppliers/Customers in the Past Two Years

1. List of Suppliers that Have Accounted for At Least 10% of Procurement in One of the Past Two Years

Unit : NT\$ thousands; %

Item	2018				2019			
	Name	Amount	As % of Total Net Procurement	Relation to Paiho Shih	Name	Amount	As % of Total Net Procurement	Relation to Paiho Shih
1	Taiwan Paiho Company	312,806	19.6	The Parent Company	Taiwan Paiho Company	270,757	16.9	The Parent Company
2	Formosa Chemicals &Fiber Corp.	186,110	11.6	None	Formosa Chemicals &Fiber Corp.	132,783	8.3	None
	Others	1,098,638	68.8		Others	1,201,074	74.8	
	Total Net Procurement	1,597,554	100.0		Total Net Procurement	1,604,614	100.0	

Reasons for the Changes in Amount and Ratio:

Purchase of raw materials, such as easy tape materials and shoelace copper buckles from Taiwan Paiho Company; also, purchase of nylon yarn from Formosa Chemicals &Fiber Corp.. Overall, there has been no significant change in the purchases from the suppliers.

2. List of Customers that Have Accounted for At Least 10% of Sales in One of the Past Two Years: None.

5.2.5 Production Volume and Production Value in the Past Two Years

Unit of Value : NT\$ thousands

Production Volume and Value Product	Year	Unit	2019			2018		
			Capacity	Volume	Value	Capacity	Volume	Value
Touch Fastener		Thousand Inch Yard/Pc	605,804	293,452	832,883	605,804	324,333	835,654
Webbing (Shoelace)		Thousand Inch Yard/Meter	295,082	220,392	1,193,283	267,367	179,972	1,006,309
Elastic		Thousand Inch Yard/Meter	215,653	135,226	359,189	208,697	146,772	421,029
Jacquard Engineered Mesh		Metric Ton	13,230	967	587,378	7,042	490	224,973
Premises		Number of Household	0	0	0	0	210	2,130,096
Parking Space		Space	0	0	0	0	428	346,452
Others		Note	Note	Note	461,548	Note	Note	422,097
Total		Note	Note	Note	3,434,281	Note	Note	5,386,610

Note: The calculation cannot be added because the units of measurement are different.

Reasons for the Changes:

The production capacity and output of jacquard engineered mesh and webbing (shoelace) have gone up due to the continuous development of new products and the expansion of product applications. In addition, a construction project is planned in coordination with the overall development plans, so no project was completed in 2019.

5.2.6 Sales Quantity and Sales Amount in the Past Two Years

Unit of Value : NT\$ thousands

Sales Quantity and Amount Year Product	Unit	2019				2018			
		Domestic Sales		Export		Domestic Sales		Export	
		Sales Quantity	Sales Amount	Sales Quantity	Sales Amount	Sales Quantity	Sales Amount	Sales Quantity	Sales Amount
Touch Fastener	Thousand Inch Yard/Pc	181,582	843,148	107,775	413,021	235,529	1,000,341	94,853	322,128
Webbing(Shoelace)	Thousand Inch Yard/Meter	112,430	1,584,466	88,518	794,328	107,481	1,162,323	49,809	595,638
Elastic	Thousand Inch Yard/Meter	124,086	470,263	12,321	48,517	127,311	544,984	6,137	29,661
Jacquard Engineered Mesh	Metric Ton	309	224,716	535	334,069	142	80,845	335	171,751
Premises	Number of Household	97	1,285,404	0	0	105	1,484,844	0	0
Parking Space	Space	7	15,333	0	0	18	39,086	0	0
Others	Note	Note	462,155	Note	92,133	Note	425,276	Note	135,970
Total	Note	Note	4,885,485	Note	1,682,068	Note	4,737,699	Note	1,255,148

Note: The calculation cannot be added because the units of measurement are different.

Reasons for the Changes:

Actively develop high value-added products and expand the application of the products, resulting in an increase in the sales quantity and sales amount of products.

5.3 Employees

The number of employees employed in the past two years and up to the printing date of the annual report, their average years of service, average age, and education levels.

Year		2018	2019	As of March 31, 2020
Number of Employees	Direct Labor	2,670	2,811	2,885
	General Employee	1,072	1,141	1,173
	Managerial Officer	17	18	19
	Total	3,759	3,970	4,077
Average Age		32	33	33
Average Years of service		4	5	5
Education	Ph.D.	0.05%	0.05%	0.05%
	Master's	0.69%	0.58%	0.56%
	University & College	19.85%	21.96%	22.08%
	High School	24.93%	24.99%	25.04%
	Below High School	54.48%	52.42%	52.27%

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 Date

Item	Year	2019	As of March 31, 2020
	Amount of Compensation or Punishment Status		None
Other Losses		None	None

5.4.2 Possible Cost and Countermeasures at Present and in the Future.: None.

5.5 Labor Management Relationship

5.5.1 Employee Welfare Measures, Continued Education, Training, Retirement System, and Implementation thereof, and Labor Management Agreement and Various Employee Benefit Protection Measures Status.

1. The Education and Training System of the Company and Implementation thereof are As Follows:

To improve employees’ professional technical skills and enhance work performance, the Company establishes the “Human Resource Management Procedures”. For new employees, the Company provides orientation training to assist them to understand the history, goals, and mission of the Company and to become familiar with the working environment and relevant regulations and systems. In addition to the annual educational training plan proposed by each department according to the work requirements and the execution of employee educational trainings executed according to the annual educational training plan, the Company further irregularly organizes internal management and professional training courses. Moreover, the Company also assigns personnel to participate in or invite external institutions to organize courses and trainings, in order to strengthen the professional abilities of employees for different job functions. 2019 relevant educational training implementation statistics are as shown in the following table:

Item	Number of Courses	Training Hours	Total Number of Trainees
Orientation Training for New Employees	440	5,959	2,096
On-job Training for Current Employees	822	2,238	74,579

2. Retirement System and Implementation Status

The main operating locations of the Company are located in China and Vietnam, belonging to the retirement welfare plan member of local government operation. The Company appropriates a specific ratio of the wage costs to the retirement welfare plan according to the local regulations, and the payment obligation starts immediately after the Company handles the social insurance procedure for employees.

The pension system of the "Labor Pension Act" is applicable to the Company, belonging to the affirmed appropriation of the pension plan under the management of the government, and pension is appropriated at the rate of 6% of the monthly salary of employees into the personal dedicated account of the Bureau of Labor Insurance. For employees who choose to continue with the application of the "Labor Standards Act", pension is appropriated at a rate of 2% of the employee's monthly salary into the pension reserve dedicated account at the Bank of Taiwan.

3. Labor Management Agreement and Various Employee Benefit Protection Measures

The Company and subsidiaries protect the legitimate rights and benefits of workers according to the labor agreement act and other relevant laws of the main operating locations, and establish a harmonious labor management relationship. The main operating locations establish professional committees of the labor union, labor dispute mediation committee, labor protection supervisory committee, employee welfare committee, and union foundation, etc. according to laws. Under the coordination of the labor union, group labor agreements are signed according to the law. In addition, the labor dispute mediation committee also provides the complaint filing channels of employee seminars and written application, etc., such that the labor dispute mediation committee members are able to perform active mediation for labor disputes and to protect the legitimate rights and benefits of employees. Since the establishment of the Company, the labor management relationship has been harmonious, and there are no issues of labor management disputes requiring coordination.

4. Various Employee Benefit Protection Measures Status

The Company and subsidiaries establish employee rights, obligations, and welfare projects according to various management regulations in order to ensure the rights and benefits of employees. In addition, the Company also adjusts the welfare content in a timely manner according to the reasonable requests made by employees. The employee welfare measure status is as follows:

- (1) According to the requests of the local competent authority of labor management, handle various social insurance affairs (including elderly care, medical treatment, parental care, occupational injuries, and unemployment, etc.).
- (2) All of the employees enroll in various insurances according to laws, and the Company also organizes employee health examinations annually.
- (3) To care for and compensate employees, the Company issues gifts or bonuses for three important holidays (Lunar Festival, Dragon Boat Festival, and Chinese New Year) as well as provides department gathering event subsidies. In addition, the Company issues birthday bonuses or gifts to employees, and organizes employee dancing, singing, and soccer activities, etc. to enrich the employees' living welfare measures.
- (4) Organize fire prevention drills and escape drills and fire rescue training annually, and teach labor safety and health knowledge to employees at the morning meeting in order to prevent occupational disasters, and to protect the safety and health of employees.
- (5) Where employees are subject to marriage, funeral, festival, and celebration events, in addition to rest days according to the local relevant regulations of operating locations, the Company also provides a subsidy of welfare funds and blessings and condolences.
- (6) The employee overtime fees are paid according to the laws, and job bonuses or annual bonuses are issued according to job performance.
- (7) Value employees' training and future development, provide employee continued education subsidies.
- (8) Create a women friendly job environment with best efforts, establish a comfortable and undisturbed nursery room with privacy in order to allow female employees to feel no pressure for nursing after giving birth.

5.5.2 The Loss due to Labor-Management Disputes, Current, and Possible Future Loss Estimated Amount and Countermeasures in the Recent Year and Up to the Annual Report Publication Date

Since the establishment of the Company, the labor management relationship has been harmonious, and there are no events of loss due to labor management dispute. In the future years, it is expected that the possibility of loss generated due to labor management dispute is extremely low.

5.6 Important Contracts

Agreement Type	Counter Party	Term	Summary	Restrictive Clauses
Technology Development Contract	Shanghai Donghua University	2019.11.01~ 2020.10.30.	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
Technology Development Contract	Guangdong Wuyi University	2019.04.01~ 2020.03.31.	Assist in the development of elastic technology and technical support; also, the related technical achievements and patents are owned by the Company.	None
Comprehensive Agreement and its Detailed Rules of Concerning on the Use of Trademarks and Patents and Related Party Transactions	Taiwan Paiho Company	Effective upon the signature of both Shareholders Meeting's approval affixed on April , 2011.	Both sides regulate trademarks, patents and related party transactions and their valuation principles, and conduct transactions on the basis of fairness and mutual benefit.	None
Construction Project Construction Contract	Coteccons Construction Joint Stock Company	Effective upon the signature of both parties affixed on March 30, 2017.	Construction of C_6A_CN plot in the Bau Bang Industrial Zone Extension.	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
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
Construction Project Construction Contract	China Construction Dongfang Decoration Co., Ltd.	Effective upon the signature of both parties affixed on July 31, 2018.	Construction of the XDG-2013-3 plot A development project (Phase 1) interior renovation project (Buildings 3 and 7).	None
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
Long-term Bank Loan	Yuanta Commercial Bank	2017.02~2020.02	Fiduciary Loan: US\$6 million	None
Long-term Bank Loan	Yuanta Commercial Bank	2017.11~2020.11	Fiduciary Loan: US\$9 million	None

Agreement Type	Counter Party	Term	Summary	Restrictive Clauses
Long-term Bank Loan	CTBC Bank	2018.09~2022.01	Fiduciary Loan: US\$6 million	None
Long-term Bank Loan	Bank of East Asia	2019.04~2021.02	Fiduciary Loan: US\$20 million	None
Long-term Bank Loan	O-Bank	2017.06~2020.06	Fiduciary Loan: US\$5 million	None
Long-term Bank Loan	The Shanghai Commercial & Savings Bank, Ltd.	2018.07~2021.07	Fiduciary Loan: US\$6 million	None
Long-term Bank Loan	Far Eastern Int'l Bank	2018.10~2020.09	Fiduciary Loan: US\$5 million	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 SinoPac, E.SUN Commercial Bank, Cathay United Bank, Taipei Fubon Commercial Bank Co., Ltd., Taiwan Cooperative Bank, Taishin International Bank, Yuanta Commercial Bank, and Bank of Kaohsiung	Effective upon the signature of both parties affixed on October 8, 2018.	Fiduciary Loan: US\$150 million	Note 1

Note 1 : According to the loan contract, the Company 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 plus 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 NT\$3.5 billion. Furthermore, the Company cannot dispose any material assets or rights and repurchase stocks or reduce capital without the permissions of the creditor banks during the loan period.

VI. Financial Highlights

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet - Based on IFRSs

Unit : NT\$ thousands

Item \ Year		Financial Summary in the Past Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		4,649,866	4,325,530	5,571,975	8,022,324	6,848,006
Property, Plant and Equipment		1,488,453	1,694,066	3,118,625	4,397,951	6,138,535
Intangible Assets		51,926	50,932	46,639	48,022	47,104
Other Assets		567,727	875,290	2,436,412	2,567,720	1,359,334
Total Assets		6,757,972	6,945,818	11,173,651	15,036,017	14,392,979
Current Liabilities	Before Distribution	1,564,436	1,813,059	4,059,844	6,695,634	5,877,856
	After Distribution (Note 2)	1,631,431	1,862,189	4,139,434	6,754,000	5,877,856
Noncurrent Liabilities		522,475	456,860	1,982,380	3,143,803	3,192,856
Total Liabilities	Before Distribution	2,086,911	2,269,919	6,042,224	9,839,437	9,070,712
	After Distribution (Note 2)	2,153,906	2,319,049	6,121,814	9,897,803	9,070,712
Equity Attributable to Shareholders of the Parent		4,335,739	4,339,985	4,763,143	4,799,058	4,896,242
Capital Stock		2,233,177	2,456,495	2,653,015	2,918,316	3,151,781
Capital Surplus		456,751	461,544	461,544	461,544	461,544
Retained Earnings	Before Distribution	1,539,041	1,730,328	1,925,464	1,896,686	1,959,400
	After Distribution (Note 2)	1,248,728	1,484,678	1,580,573	1,604,855	1,959,400
Other Equity		106,770	(308,382)	(276,880)	(477,488)	(676,483)
Treasury Stock		0	0	0	0	0
Noncontrolling Interests		335,322	335,914	368,284	397,522	426,025
Total Equity	Before Distribution	4,671,061	4,675,899	5,131,427	5,196,580	5,322,267
	After Distribution (Note 2)	4,604,066	4,626,769	5,051,837	5,138,214	5,322,267

Note 1 : The consolidated financial statements prepared in US dollars are converted into NTD. The exchange difference arising from the yearend exchange rate of the assets and liabilities, the average exchange rate of the profit and loss, and the historical exchange rate of the shareholders' equity is included in the cumulative translation effect (other equity); the aforementioned financial information was audited and attested by CPAs.

Note 2 : The Company's 2019 earnings distribution has not yet been resolved in the General Shareholders' Meeting.

6.1.2 Condensed Statement of Comprehensive Income - Based on IFRSs

Unit : NT\$ thousands, except EPS : NT\$

Item \ Year	Financial Summary in the Past Five Years (Note 1)				
	2015	2016	2017	2018	2019
Net Sales	3,476,275	3,489,262	4,241,719	5,992,847	6,567,553
Gross Profit	1,305,116	1,313,547	1,615,455	2,145,312	2,316,157
Profit from Operations	661,776	567,279	707,357	761,802	922,232
Non-operating Income and Expenses	61,992	59,001	(45,818)	(142,455)	(151,970)
Profit Before Income Tax	723,768	626,280	661,539	619,347	770,262
Net Profit from Continuing Operations	544,453	513,900	475,208	373,641	422,794
Loss from Discontinued Operations	0	0	0	0	0
Net Profit	544,453	513,900	475,208	373,641	422,794
Other Comprehensive Income (Loss)	(135,579)	(442,067)	29,450	(210,537)	(220,163)
Total Comprehensive Income (Loss)	408,874	71,833	504,658	163,104	202,631
Net Profit Attributable to Shareholders of the Parent	507,073	481,772	439,443	317,765	359,353
Net Profit Attributable to Noncontrolling Interests	37,380	32,128	35,765	55,876	63,441
Total Comprehensive Income(Loss) Attributable to Shareholders of the Parent	377,639	66,448	472,288	115,505	155,550
Total Comprehensive Income(Loss) Attributable to Noncontrolling Interests	31,235	5,385	32,370	47,599	47,081
Earnings Per Share Attributable to Shareholders of the Company(Note 2)	1.61	1.53	1.39	1.01	1.14

Note 1: The consolidated financial statements prepared in US dollars are converted into NTD at the average exchange rates for the period. The aforementioned financial information was audited and attested by CPAs.

Note2: A retrospective adjustment is made according to the ratio of capitalization from earnings.

6.1.3 CPAs' Opinions in the Past Five Years

Year	Accounting Firm	CPA	Audit Opinion
2015	Deloitte & Touche	Te-Jun Cheng Hsiao-Fang Yen	Unqualified Opinion
2016	Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	Unmodified Opinion (Note 1)
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	Unmodified Opinion (Note 1)

Note1: The CPAs were replaced in 2016 & 2018 due to Deloitte & Touche internal work arrangement.

6.2 Financial Analysis in the Past Five Years

Financial Analysis - Based on IFRSs

Item		Year	Financial Summary in the Past Five Years (Note 2)				
			2015	2016	2017	2018	2019
Capital Structure	Debt Ratio (%)		30.88	32.68	54.08	65.44	63.02
	Long-term Fund to Property, Plant and Equipment Ratio (%)		348.92	302.98	228.11	189.64	138.72
Liquidity	Current Ratio (%)		297.22	238.58	137.25	119.81	116.51
	Quick Ratio (%)		176.57	121.62	54.58	56.06	54.74
	Time Interest Earned (Times)		36.46	30.53	12.60	6.02	4.89
Operating Performance	Average Collection Turnover (Times)		4.56	4.60	4.50	5.81	6.11
	Days Sales Outstanding		80	79	81	63	60
	Average Inventory Turnover (Times)		1.71	1.14	1.06	1.10	1.11
	Average Payment Turnover (Times)		6.16	6.46	6.76	2.94	2.73
	Average Inventory Turnover Days		213	320	344	332	328
	Property, Plant and Equipment Turnover (Times)		2.34	2.06	1.36	1.36	1.07
	Total Assets Turnover (Times)		0.51	0.50	0.38	0.40	0.46
Profitability	Return on Total Assets (%)		8.39	7.75	5.70	3.42	3.61
	Return on Equity (%)		11.83	11.00	9.69	7.24	8.04
	Profit before Income Tax to Paid-in Capital Ratio (%)		32.41	25.49	24.94	21.22	24.44
	Net Profit Margin (%)		15.66	14.73	11.20	6.23	6.44
	Earnings Per Share Attributable to Shareholders of the Company (NT\$) (Note 1)		1.61	1.53	1.39	1.01	1.14
Cash Flow	Cash Flow Ratio (%)		59.17	34.35	(16.45)	19.46	(0.44)
	Cash Flow Adequacy Ratio (%)		140.42	103.81	25.18	35.00	25.86
	Cash Flow Reinvestment Ratio (%)		10.26	9.20	(10.75)	15.31	(0.87)
Leverage	Operating Leverage		2.64	3.04	3.07	3.34	3.35
	Financial Leverage		1.03	1.04	1.09	1.19	1.27

Changes in financial ratios of 2019 vs. 2018 over 20% analysis :

- Ratio of long-term fund to property, plant and equipment and turnover (times) of property, plant and equipment: Mainly due to the active development of jacquard engineered mesh products in recent years, related plants and machinery equipment have been successively inspected and accepted, so there was an increase in property, plant and equipment in 2019 from the year end of 2018, resulting in the ratio of long-term fund to property, plant and equipment in 2019 and the turnover (times) of property, plant and equipment decreasing from the year 2018.

2. Cash flow ratio: Mainly due to the income recognized in 2019 from the sale of pre-sale housing of the construction project in 2018; also, the increase in income tax payment, resulting in a net cash outflow from operating activities in 2019, the cash flow ratio in 2019 decreased compared with the year of 2018.
3. Cash flow adequacy ratio: Mainly due to the net cash outflow from operating activities in 2019, the cash flow adequacy ratio in 2019 decreased compared with the year of 2018.
4. Cash flow reinvestment ratio: Mainly due to the net cash outflow from operating activities in 2019 and the increase in property, plant and equipment at the end of 2019 from the end of 2018, the cash flow reinvestment ratio in 2019 decreased compared with the year 2018.

Note 1: A retrospective adjustment is made according to the ratio of capitalization from earnings.

Note 2: The calculation formula of financial analysis:

1. Capital Structure

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund 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 Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

- (1) Average Collection Turnover (Including Trade Receivables and Notes Receivable Resulted from Business Operation) = Net Sales / Average Accounts Receivable (Including Trade Receivables and Notes Receivable Resulted from Business Operation)
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Payment Turnover (Including Trade Payables and Notes Payable Resulted from Business Operation) = Cost of Sales / Average Accounts Payable (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 = Net Profit / Average Total Equity
- (3) Net Profit Margin = Net Profit / Net Sales
- (4) Earnings Per Share = (Net Profit Attributable to Shareholders of the Company - 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) / Profit from Operations
- (2) Financial Leverage = Profit from Operations / (Profit from Operations - Interest Expenses)

6.3 Audit Committee's Review Report in the Recent Year

Audit Committee's Review Report

The Board of Directors have prepared and submitted the Company's 2019 Consolidated Financial Statements that have been audited by Shu-Ching Chiang and Ting-Chien Su of Deloitte & Touch. The Consolidated Financial Statements, 2019 Business Report and proposals of earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of PAIHO SHIH HOLDINGS CORPORATION. Therefore, we hereby submit this report.

Sincerely,

2020 Annual General Shareholders' Meeting

PAIHO SHIH HOLDINGS CORPORATION

Yung-Fu Wu

Chairman of Audit Committee

March 19, 2020

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

Paiho Shih Holdings Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Paiho Shih Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Paiho Shih Holdings Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2019 are as follows:

Estimated impairment of trade receivables

As of December 31, 2019, the Group's total trade receivables, in New Taiwan dollars ("NT\$"), were NT\$1,106,935 thousand (after deducting allowance for doubtful trade receivables of NT\$46,615 thousand). Refer to Notes 4, 5 and 8 to the accompanying consolidated financial statements for disclosures related to receivables. Allowance for doubtful trade receivables is based on the assessed risks of default and expected credit losses of the receivables; the amount of future cash flows is subject to credit risk; if the amount of realized future cash flows is less than the book value of the assets, the difference might be a significant impairment loss. Since the provision for doubtful accounts, and the assessment of risks of default and expected credit losses of receivables are subject to the management's judgment and estimations in which uncertainty is involved, the impairment assessment of trade receivables is identified as a key audit matter.

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

1. We understood the related internal controls over the provision of allowance for doubtful accounts.
2. We understood the Group's policy on the impairment assessment of receivables; and then we sampled and verified the accuracy of the aging of amounts due at the balance sheet date.
3. We evaluated the reasonableness of the allowance for doubtful accounts by reviewing the historical payments and the recovery rates of receivables.

Valuation of manufacturing inventory

As of December 31, 2019, the Group's manufacturing inventory was NT\$875,260 thousand. Refer to Notes 4, 5 and 9 to the consolidated financial statements for the related disclosures. Manufacturing inventory is stated at the lower of cost or net realizable value. Estimation of net realizable value based on the level of inventory consumed and sold and by reference to the aging of inventories is subject to judgment. As a result, valuation of manufacturing inventory is identified as a key audit matter.

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

1. We understood the related internal control over the valuation of inventory and write-downs of inventory.
2. We assessed the reasonableness of the assumptions in the calculation of the net realizable value and the rate used to calculate allowance for inventory loss.
3. We evaluated the condition of inventory for obsolete and damaged stock during our observation of inventory counts.

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, 2019 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 19, 2020

Notice to Readers

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

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,745,619	12	\$ 2,171,699	14
Financial assets at amortized cost - current (Notes 4, 7 and 29)	-	-	269,091	2
Notes receivable (Notes 4 and 5)	12,597	-	17,427	-
Trade receivables (Notes 4, 5 and 8)	1,070,402	8	869,419	6
Trade receivables - related parties (Notes 4, 8 and 28)	36,533	-	46,776	-
Other receivables	12,866	-	311,602	2
Inventories - manufacturing (Notes 4, 5 and 9)	875,260	6	884,254	6
Inventories - constructing (Notes 4 and 9)	2,718,679	19	3,154,962	21
Prepayments for leases (Notes 4 and 14)	-	-	13,810	-
Other current assets (Note 15)	376,050	3	283,284	2
Total current assets	6,848,006	48	8,022,324	53
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7 and 29)	20,940	-	2,415	-
Property, plant and equipment (Notes 4, 11 and 30)	6,138,535	43	4,397,951	29
Right-of-use assets (Notes 4 and 12)	979,798	7	-	-
Goodwill (Notes 4 and 13)	47,031	-	47,925	1
Other intangible assets (Note 4)	73	-	97	-
Deferred tax assets (Notes 4 and 24)	36,050	-	30,354	-
Prepayments for machinery and equipment	308,254	2	1,956,070	13
Long-term prepayments for lease (Notes 4 and 14)	-	-	569,824	4
Other non-current assets (Note 15)	14,292	-	9,057	-
Total non-current assets	7,544,973	52	7,013,693	47
TOTAL	\$ 14,392,979	100	\$ 15,036,017	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 3,870,418	27	\$ 3,969,819	26
Contract liabilities - current (Notes 4, 22 and 28)	58,235	-	976,837	7
Trade payables	331,886	2	771,916	5
Trade payable - related parties (Note 28)	36,586	-	36,921	-
Other payables (Notes 18 and 28)	890,734	6	746,652	5
Current tax liabilities (Notes 4 and 24)	63,131	1	134,151	1
Lease liabilities - current (Notes 4 and 12)	5,766	-	-	-
Current portion of long-term borrowings (Note 16)	532,145	4	-	-
Financial lease payables - current (Notes 4 and 17)	-	-	734	-
Other current liabilities	88,955	1	58,604	-
Total current liabilities	5,877,856	41	6,695,634	44
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	2,593,817	18	2,633,727	17
Deferred tax liabilities (Notes 4 and 24)	384,251	3	325,251	2
Lease liabilities - non-current (Notes 4 and 12)	8,309	-	-	-
Deferred revenue - non-current (Notes 4 and 14)	89,021	-	95,225	1
Net defined benefit liabilities - non-current (Notes 4 and 19)	106,446	1	89,600	1
Guarantee deposits received	11,012	-	-	-
Total non-current liabilities	3,192,856	22	3,143,803	21
Total liabilities	9,070,712	63	9,839,437	65
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common stock	3,151,781	22	2,918,316	19
Capital surplus	461,544	3	461,544	3
Retained earnings				
Special reserve	477,488	4	377,980	3
Unappropriated earnings	1,481,912	10	1,518,706	10
Other equity	(676,483)	(5)	(477,488)	(3)
Total equity attributable to owners of the Corporation	4,896,242	34	4,799,058	32
NON-CONTROLLING INTERESTS	426,025	3	397,522	3
Total equity	5,322,267	37	5,196,580	35
TOTAL	\$ 14,392,979	100	\$ 15,036,017	100

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 28)	\$ 6,567,553	100	\$ 5,992,847	100
COST OF GOODS SOLD (Notes 4, 9, 22, 23 and 28)	<u>4,251,396</u>	<u>65</u>	<u>3,847,535</u>	<u>64</u>
GROSS PROFIT	<u>2,316,157</u>	<u>35</u>	<u>2,145,312</u>	<u>36</u>
OPERATING EXPENSES (Notes 4, 23 and 28)				
Selling and marketing expenses	560,202	8	630,843	11
General and administrative expenses	392,719	6	433,988	7
Research and development expenses	438,641	7	316,976	5
Expected credit loss (Note 8)	<u>2,363</u>	<u>-</u>	<u>1,703</u>	<u>-</u>
Total operating expenses	<u>1,393,925</u>	<u>21</u>	<u>1,383,510</u>	<u>23</u>
PROFIT FROM OPERATIONS	<u>922,232</u>	<u>14</u>	<u>761,802</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Subsidy revenue (Notes 12 and 14)	17,753	-	24,159	-
Interest income	42,921	1	35,796	1
Other income	9,742	-	10,636	-
Interest expenses (Notes 4 and 23)	(197,875)	(3)	(123,284)	(2)
Other expenses	(11,630)	-	(37,443)	(1)
Loss on disposal of property, plant and equipment (Note 4)	(9,605)	-	(3,259)	-
Net foreign exchange loss (Note 4)	<u>(3,276)</u>	<u>-</u>	<u>(49,060)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(151,970)</u>	<u>(2)</u>	<u>(142,455)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	770,262	12	619,347	10
INCOME TAX EXPENSE (Notes 4 and 24)	<u>347,468</u>	<u>6</u>	<u>245,706</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>422,794</u>	<u>6</u>	<u>373,641</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(4,808)	-	(1,652)	-
Foreign exchange differences on translation to presentation currency	(131,872)	(2)	160,488	3

(Continued)

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (83,483)	(1)	\$ (369,373)	(6)
Other comprehensive loss for the year	(220,163)	(3)	(210,537)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 202,631	3	\$ 163,104	3
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 359,353	5	\$ 317,765	5
Non-controlling interests	63,441	1	55,876	1
	<u>\$ 422,794</u>	<u>6</u>	<u>\$ 373,641</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 155,550	2	\$ 115,505	2
Non-controlling interests	47,081	1	47,599	1
	<u>\$ 202,631</u>	<u>3</u>	<u>\$ 163,104</u>	<u>3</u>
EARNINGS PER SHARE (Note 25)				
Basic	\$ 1.14		\$ 1.01	
Diluted	\$ 1.14		\$ 1.01	

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

(Concluded)

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Corporation						Total	Non-controlling Interests	Total Equity
	Common Stock (Notes 4 and 21)	Capital Surplus (Note 21)		Retained Earnings (Note 21)		Other Equity			
		Additional Paid-in Capital	Changes in Percentage of Ownership Interest in Subsidiaries	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 21)			
BALANCE AT JANUARY 1, 2018	\$ 2,653,015	\$ 456,751	\$ 4,793	\$ 377,980	\$ 1,547,484	\$ (276,880)	\$ 4,763,143	\$ 368,284	\$ 5,131,427
Appropriation of 2017 earnings									
Cash dividend	-	-	-	-	(79,590)	-	(79,590)	-	(79,590)
Stock dividend	265,301	-	-	-	(265,301)	-	-	-	-
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	(18,361)	(18,361)
Net profit for the year ended December 31, 2018	-	-	-	-	317,765	-	317,765	55,876	373,641
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(1,652)	(200,608)	(202,260)	(8,277)	(210,537)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	316,113	(200,608)	115,505	47,599	163,104
BALANCE AT DECEMBER 31, 2018	2,918,316	456,751	4,793	377,980	1,518,706	(477,488)	4,799,058	397,522	5,196,580
Appropriation of 2018 earnings									
Special reserve	-	-	-	99,508	(99,508)	-	-	-	-
Cash dividend	-	-	-	-	(58,366)	-	(58,366)	-	(58,366)
Stock dividend	233,465	-	-	-	(233,465)	-	-	-	-
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	(18,578)	(18,578)
Net profit for the year ended December 31, 2019	-	-	-	-	359,353	-	359,353	63,441	422,794
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	(4,808)	(198,995)	(203,803)	(16,360)	(220,163)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	354,545	(198,995)	155,550	47,081	202,631
BALANCE AT DECEMBER 31, 2019	\$ 3,151,781	\$ 456,751	\$ 4,793	\$ 477,488	\$ 1,481,912	\$ (676,483)	\$ 4,896,242	\$ 426,025	\$ 5,322,267

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 770,262	\$ 619,347
Adjustments for :		
Depreciation expenses	481,678	298,125
Amortization expenses	644	13,642
Expected credit loss recognized	2,363	1,703
Interest expense	197,875	123,284
Interest income	(42,921)	(35,796)
Loss on disposal of property, plant and equipment	9,605	3,259
Write-downs of inventories	56,834	2,603
Unrealized foreign currency exchange loss, net	4,727	46,980
Others	(2,735)	(2,786)
Changes in operating assets and liabilities		
Notes receivable	4,550	(16,486)
Trade receivables	(227,192)	131,356
Other receivables	300,435	(2,052)
Inventories - manufacturing	(65,096)	(141,128)
Inventories - constructing	387,027	(968,094)
Other current assets	(102,080)	(158,885)
Contract liabilities	(922,837)	958,846
Trade payables	(435,317)	512,395
Other payables	20,232	139,539
Other current liabilities	32,555	18,401
Net defined benefit liabilities	12,163	10,855
Cash generated from operations	482,772	1,555,108
Interest received	42,921	35,796
Interest paid	(194,803)	(112,463)
Income tax paid	(356,512)	(175,194)
Net cash generated from (used in) operating activities	<u>(25,622)</u>	<u>1,303,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(460,193)	(2,467,468)
Proceeds from disposal of financial assets at amortized cost	724,231	2,193,127
Payments for property, plant and equipment	(597,267)	(844,085)
Proceeds from disposal of property, plant and equipment	32,668	2,833
Increase in refundable deposits	(4,128)	(2,880)
Payments for right-of-use assets	(161,417)	-
Increase in other non-current assets	(304)	-
Increase in prepayments for machinery and equipment	(310,246)	(1,007,391)
Increase in prepayments for long-term lease	-	(15,892)
Net cash used in investing activities	<u>(776,656)</u>	<u>(2,141,756)</u>

(Continued)

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$ (4,371)	\$ 991,652
Proceeds from long-term borrowings	1,420,681	1,989,681
Repayments of long-term borrowings	(848,164)	(905,124)
Proceeds from guarantee deposits received	11,354	-
Repayments of finance lease payable	-	(509)
Repayment of the principal portion of lease liabilities	(5,406)	-
Dividends paid to owners of the Corporation	(58,366)	(79,590)
Dividends paid to non-controlling interests	<u>(18,578)</u>	<u>(18,361)</u>
Net cash generated from financing activities	<u>497,150</u>	<u>1,977,749</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(120,952)</u>	<u>(126,624)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(426,080)	1,012,616
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,171,699</u>	<u>1,159,083</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,745,619</u>	<u>\$ 2,171,699</u>

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

(Concluded)

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Paiho Shih Holdings Corporation (the “Corporation”) was incorporated on November 6, 2006. It was established in Cayman Island and its main business is international investment.

The shares of the Corporation have been listed on the Taiwan Stock Exchange (TWSE) since May 18, 2011.

The functional currency of the Corporation is the United States dollar. For greater comparability and consistency in financial reporting, the consolidated financial statements of the Corporation and its subsidiaries (collectively, the “Group”) are presented in New Taiwan dollars since the Corporation’s shares are listed on the TWSE.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 19, 2020.

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)

Except for the following, 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:

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

1) Definition of a lease

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

2) The Group as lessee

The Group recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, was recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

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

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.92%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 28,758
Less: Recognition exemption for short-term leases	<u>(28,708)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 50</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 50
Add: Finance lease liabilities (excluding the amounts applied for the exemption for short-term leases and leases of low-value assets) on December 31, 2018	734
Add: Adjustments as a result of a different treatment of extension and termination options	<u>2,125</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 2,909</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	\$ 13,810	\$ (13,810)	\$ -
Prepayments for leases - non-current	569,824	(569,824)	-
Property, plant and equipment	1,314	(1,314)	-
Right-of-use assets	<u>-</u>	<u>587,123</u>	<u>587,123</u>
Total effect on assets	<u>\$ 584,948</u>	<u>\$ 2,175</u>	<u>\$ 587,123</u>
Lease liabilities - current	\$ -	\$ 770	\$ 770
Finance lease payables - current	734	(734)	-
Lease liabilities - non-current	<u>-</u>	<u>2,139</u>	<u>2,139</u>
Total effect on liabilities	<u>\$ 734</u>	<u>\$ 2,175</u>	<u>\$ 2,909</u>
Retained earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for an asset or liability.
- c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 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.

d. Basis of consolidation

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

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

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

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

See Note 10, Tables 8 and 9 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. 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.

In the consolidated financial statements, the common stock has a value of US\$56,212 thousand with a par value of US\$1 at an exchange rate of 3.1385 (the basis was calculated by the exchange rate US\$1=NT\$31.385 on April 24, 2010, the date before the meeting of board of directors) to par value of NT\$10. The rest of the shares were issued with a par value of NT\$10 and the total common stock issued amounted to NT\$3,151,781 thousand at December 31, 2019. Besides, assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; equity is translated at the historical exchange rates; and income and expense items are translated at the average exchange rates for the period. The exchange differences arising from the consolidation of the financial statements are recognized in other comprehensive income and attributable to the owners of the Corporation and the non-controlling interests.

f. Inventories

Manufacturing

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

Construction industry

The properties to be developed refer to the expenditure on land use 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.

g. 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. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

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. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. 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.

h. Goodwill

Goodwill arising from the acquisition of a business is measured 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.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. 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.

j. Assets related to contract costs

When a sales contract is obtained, selling service fees paid to agents under exclusive sale agreements are recognized as 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.

k. Impairment of tangible and intangible assets other than goodwill

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

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

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.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost.

Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, restricted deposits 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:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. 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.

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

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

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):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. 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 Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) 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.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Provisions

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.

o. 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

Revenue from the sale of goods are recognized 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.

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 sales 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.

p. Leasing

2019

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

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. 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 that causes a change in the amounts expected to be payable under a residual value guarantee, 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.

2018

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.

The Group as lessee

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

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

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

q. 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.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached 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.

s. 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 rereasurement) 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 occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurred. Rereasurement 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.

t. Taxation

The Corporation is tax-exempt from the offshore income according to the relevant regulations in the Cayman Islands.

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

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments, is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Petty cash and cash on hand	\$ 46,508	\$ 30,366
Checking accounts and demand deposits	1,388,103	1,061,439
Cash equivalents (investments with original maturities of less than 3 months)	<u>311,008</u>	<u>1,079,894</u>
	<u>\$ 1,745,619</u>	<u>\$ 2,171,699</u>
 <u>Rate of interest per annum (%)</u>		
Bank balance	0-0.35	0-0.5
Investments with original maturities of less than 3 months	1.35-2.75	1.35-2.03

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Restricted deposits	<u>\$ -</u>	<u>\$ 269,091</u>
<u>Non-current</u>		
Restricted deposits	<u>\$ 20,940</u>	<u>\$ 2,415</u>

Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

8. NOTES RECEIVABLES AND TRADE RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Note receivables</u>		
At amortized cost	<u>\$ 12,597</u>	<u>\$ 17,427</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amounts	\$ 1,153,550	\$ 967,240
Less: Allowance for impairment loss	<u>(46,615)</u>	<u>(51,045)</u>
	<u>\$ 1,106,935</u>	<u>\$ 916,195</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 Group does not have overdue notes receivable. The following table details the loss allowance of trade receivables.

	0 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 181 Days	Total
<u>December 31, 2019</u>						
Expected credit loss rate	0%-2%	1%-20%	1%-40%	1%-80%	1%-100%	
Gross carrying amount	\$ 1,013,261	\$ 78,695	\$ 24,767	\$ 8,242	\$ 28,585	\$ 1,153,550
Loss allowance (Lifetime ECL)	<u>(10,479)</u>	<u>(14,545)</u>	<u>(8,360)</u>	<u>(4,043)</u>	<u>(9,188)</u>	<u>(46,615)</u>
Amortized cost	<u>\$ 1,002,782</u>	<u>\$ 64,150</u>	<u>\$ 16,407</u>	<u>\$ 4,199</u>	<u>\$ 19,397</u>	<u>\$ 1,106,935</u>
<u>December 31, 2018</u>						
Expected credit loss rate	0%-2%	1%-20%	1%-40%	1%-80%	1%-100%	
Gross carrying amount	\$ 839,781	\$ 80,757	\$ 26,379	\$ 6,216	\$ 14,107	\$ 967,240
Loss allowance (Lifetime ECL)	<u>(8,088)</u>	<u>(16,074)</u>	<u>(9,192)</u>	<u>(4,973)</u>	<u>(12,718)</u>	<u>(51,045)</u>
Amortized cost	<u>\$ 831,693</u>	<u>\$ 64,683</u>	<u>\$ 17,187</u>	<u>\$ 1,243</u>	<u>\$ 1,389</u>	<u>\$ 916,195</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 51,045	\$ 52,065
Add: Net remeasurement of loss allowance	2,363	1,703
Less: Amounts written off	(5,002)	(1,817)
Foreign exchange gains and losses	<u>(1,791)</u>	<u>(906)</u>
Balance at December 31	<u>\$ 46,615</u>	<u>\$ 51,045</u>

9. INVENTORIES

a. Manufacturing

	December 31	
	2019	2018
Finished goods	\$ 288,370	\$ 308,355
Work in process	255,728	223,942
Raw materials and supplies	296,446	326,512
Inventory in transit	<u>34,716</u>	<u>25,445</u>
	<u>\$ 875,260</u>	<u>\$ 884,254</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$3,304,048 thousand and \$2,807,500 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of \$56,834 thousand and \$2,603 thousand.

b. Construction industry

	December 31	
	2019	2018
Construction under development	\$ 2,317,121	\$ 1,757,349
Construction to be sold	<u>401,558</u>	<u>1,397,613</u>
	<u>\$ 2,718,679</u>	<u>\$ 3,154,962</u>

Construction under development

Location	Project Name	Estimated Year of Completion	December 31	
			2019	2018
Xishan District, Wuxi	Paiho International Mansion - Season One	2018-2020	\$ 982,118	\$ 938,232
	Paiho International Mansion - Season Two	2020	877,048	499,092
	Paiho Commercial Plaza	2021	<u>457,955</u>	<u>320,025</u>
			<u>\$ 2,317,121</u>	<u>\$ 1,757,349</u>

Construction to be sold

Location	Project Name	December 31	
		2019	2018
Xishan District, Wuxi	Paiho International Mansion - Season One	<u>\$ 401,558</u>	<u>\$ 1,397,613</u>

The cost of inventories recognized as cost of real estate sold for the year ended December 31, 2019 and 2018 was \$947,348 thousand and \$1,040,035 thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			2019	2018
The Corporation	Hong Kong Antex Limited	International investment	100	100
	Pai Lon International Trading Limited	International trading	100	100
Hong Kong Antex Limited	Hon Shin Corp.	International investment and trading	100	100
	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

See Tables 8 and 9 for the information on places of incorporation and principal places of business for each subsidiary.

11. PROPERTY, PLANT AND EQUIPMENT

	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>								
Buildings	\$ 1,432,455	\$ -	\$ 1,432,455	\$ 11,468	\$ (28,779)	\$ 1,307,026	\$ (92,163)	\$ 2,630,007
Machinery and equipment	2,968,850	-	2,968,850	232,385	(94,883)	1,822,829	(161,250)	4,767,931
Transportation equipment	127,302	(2,134)	125,168	2,900	(3,115)	31,045	(5,186)	150,812
Miscellaneous equipment	436,165	-	436,165	43,036	(26,758)	64,876	(19,165)	498,154
Construction in progress	<u>1,693,417</u>	<u>-</u>	<u>1,693,417</u>	<u>209,146</u>	<u>-</u>	<u>(1,291,813)</u>	<u>(8,165)</u>	<u>602,585</u>
	<u>6,658,189</u>	<u>\$(2,134)</u>	<u>6,656,055</u>	<u>\$ 498,935</u>	<u>\$(153,535)</u>	<u>\$ 1,933,963</u>	<u>\$(285,929)</u>	<u>8,649,489</u>
<u>Accumulated depreciation and impairment</u>								
Buildings	696,145	\$ -	696,145	\$ 89,639	\$ (9,710)	\$ (417)	\$ (29,046)	746,611
Machinery and equipment	1,172,983	-	1,172,983	300,381	(75,156)	(17)	(51,246)	1,346,945
Transportation equipment	61,258	(820)	60,438	14,361	(2,229)	-	(2,608)	69,962
Miscellaneous equipment	<u>329,852</u>	<u>-</u>	<u>329,852</u>	<u>55,249</u>	<u>(24,167)</u>	<u>5</u>	<u>(13,503)</u>	<u>347,436</u>
	<u>2,260,238</u>	<u>\$(820)</u>	<u>2,259,418</u>	<u>\$ 459,630</u>	<u>\$(111,262)</u>	<u>\$(429)</u>	<u>\$(96,403)</u>	<u>2,510,954</u>
	<u>\$ 4,397,951</u>		<u>\$ 4,396,637</u>					<u>\$ 6,138,535</u>

For the Year Ended December 31, 2018						
	Beginning Balance	Additions	Disposals	Reclassified Amount	Translation Adjustments	Ending Balance
<u>Cost</u>						
Buildings	\$ 1,297,015	\$ 141,865	\$ (7)	\$ 22,488	\$ (28,906)	\$ 1,432,455
Machinery and equipment	2,104,345	106,181	(22,623)	815,288	(34,341)	2,968,850
Transportation equipment	108,726	12,567	(9,582)	13,714	1,877	127,302
Miscellaneous equipment	385,352	63,362	(3,900)	5,095	(13,744)	436,165
Construction in progress	<u>1,260,264</u>	<u>361,277</u>	<u>-</u>	<u>52,657</u>	<u>19,219</u>	<u>1,693,417</u>
	<u>5,155,702</u>	<u>\$ 685,252</u>	<u>\$ (36,112)</u>	<u>\$ 909,242</u>	<u>\$ (55,895)</u>	<u>6,658,189</u>
<u>Accumulated depreciation and impairment</u>						
Buildings	645,438	\$ 64,773	\$ (7)	-	\$ (14,059)	696,145
Machinery and equipment	1,039,158	176,474	(19,371)	-	(23,278)	1,172,983
Transportation equipment	57,577	12,558	(8,020)	126	(983)	61,258
Miscellaneous equipment	<u>294,904</u>	<u>44,320</u>	<u>(2,621)</u>	<u>(126)</u>	<u>(6,625)</u>	<u>329,852</u>
	<u>2,037,077</u>	<u>\$ 298,125</u>	<u>\$ (30,019)</u>	<u>\$ -</u>	<u>\$ (44,945)</u>	<u>2,260,238</u>
	<u>\$ 3,118,625</u>					<u>\$ 4,397,951</u>

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

Buildings and improvements	5-40 years
Machinery and equipment	2-15 years
Transportation equipment	2-11 years
Miscellaneous equipment	2-11 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 965,323
Buildings	13,601
Transportation equipment	<u>874</u>
	<u>\$ 979,798</u>

	For the Year Ended December 31, 2019
Additions to right-of-use assets	\$ <u>422,662</u>
Depreciation charge for right-of-use assets	
Land	\$ 17,095
Buildings	4,547
Transportation equipment	<u>406</u>
	<u>\$ 22,048</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	\$ 5,766
Non-current	<u>8,309</u>
	<u>\$ 14,075</u>

Range of discount rate for lease liabilities was as follows:

	For the Year Ended December 31, 2019
Buildings	3.85%
Transportation equipment	4.75%

c. Material leasing activities and terms

The Group as lessee leases land and buildings for the use of plants, offices, employee dormitory and product manufacturing with lease terms of 3 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. Other lease information

2019

	December 31, 2019
Expenses relating to short-term leases	\$ <u>17,265</u>
Total cash outflow for leases	<u>\$ (22,696)</u>

The Group as lessee leases certain equipment which qualify as short-term 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.

2018

The Group's future minimum lease payments based on operating lease agreements are as follows:

	December 31, 2018
Within 1 year	\$ 13,190
1-5 years	<u>15,568</u>
	<u>\$ 28,758</u>

13. GOODWILL

	For the Year Ended December 31	
	2019	2018
<u>Cost</u>		
Balance at January 1	\$ 47,925	\$ 46,518
Effect of foreign currency exchange differences	<u>(894)</u>	<u>1,407</u>
Balance at December 31	<u>\$ 47,031</u>	<u>\$ 47,925</u>

14. PREPAYMENTS FOR LEASE - 2018

	December 31, 2018
Current	\$ 13,810
Non-current	<u>569,824</u>
	<u>\$ 583,634</u>

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

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

Vietnam Paihong Limited signed a land lease contract with Vietnam land developer Investment And Industrial Development Corporation to acquire the land use right over 250,000 square meters of land from Vietnam, Pingyang Province BAO-PENG Industrial Zone, and the tenure is effective through April 2066. The transaction amount was VND272,030,400 thousand (about US\$12,000 thousand). As of December 31, 2019, the procedure for acquiring the land use right was still in progress.

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

15. OTHER ASSETS

	<u>December 31</u>	
	2019	2018
<u>Current</u>		
Tax overpayment for offset with future tax payable	\$ 329,303	\$ 188,935
Prepayments	24,211	22,855
Prepaid expenses	12,157	18,018
Others	<u>10,379</u>	<u>53,476</u>
	<u>\$ 376,050</u>	<u>\$ 283,284</u>
<u>Non-current</u>		
Refundable deposits	\$ 9,150	\$ 5,272
Others	<u>5,142</u>	<u>3,785</u>
	<u>\$ 14,292</u>	<u>\$ 9,057</u>

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 3,870,418</u>	<u>\$ 3,969,819</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	2.68-4.07	2.75-4.50

b. Long-term borrowings

	<u>December 31</u>	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings - due in January 2020-November 2023	\$ 3,125,962	\$ 2,633,727
Less: Current portion	<u>(532,145)</u>	<u>-</u>
Long-term borrowings	<u>\$ 2,593,817</u>	<u>\$ 2,633,727</u>
<u>Rate of interest per annum (%)</u>		
Unsecured loans	2.95-3.35	2.84-4.18

In order to repay the loans, support overseas investment and provide sufficient operation funds, the 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, the 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 plus 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, the Corporation cannot dispose any material assets or rights and repurchase stocks or reduce capital without the permissions of the creditor banks during the loan period.

17. FINANCE LEASE PAYABLES - 2018

	December 31, 2018
<u>Minimum lease payments</u>	
Not later than 1 year	\$ 865
Later than 1 year and not later than 3 years	-
	865
Less: Future finance charges	131
	734
<u>Present value of minimum lease payments</u>	
Not later than 1 year	\$ 734
Later than 1 year and not later than 3 years	-
	734

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

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

18. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries and bonuses	\$ 376,586	\$ 316,336
Payables for purchases of building and equipment	254,670	119,140
Tax payable	11,726	10,095
Payables for compensation of employees and directors	10,288	11,487
Others	<u>237,464</u>	<u>289,594</u>
	<u>\$ 890,734</u>	<u>\$ 746,652</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plan

The pension plan for the employees of the Corporation is a defined benefit plan.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	<u>\$ 106,446</u>	<u>\$ 89,600</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Net Defined Benefit Liabilities
Balance at January 1, 2018	<u>\$ 78,848</u>	<u>\$ 78,848</u>
Service cost		
Current service cost	9,345	9,345
Net interest expense	979	979
Recognized in profit or loss	<u>10,324</u>	<u>10,324</u>
Remeasurement		
Actuarial profit - changes in demographic assumptions	(540)	(540)
Actuarial loss - changes in financial assumptions	3,134	3,134
Actuarial profit - experience adjustments	<u>(942)</u>	<u>(942)</u>
Recognized in other comprehensive income	1,652	1,652

(Continued)

	Present Value of the Defined Benefit Obligation	Net Defined Benefit Liabilities
Benefits paid	\$ (1,224)	\$ (1,224)
Balance at December 31, 2018	<u>89,600</u>	<u>89,600</u>
Service cost		
Current service cost	11,151	11,151
Net interest expense	<u>887</u>	<u>887</u>
Recognized in profit or loss	<u>12,038</u>	<u>12,038</u>
Remeasurement		
Actuarial loss - changes in demographic assumptions	6	6
Actuarial loss - changes in financial assumptions	3,747	3,747
Actuarial loss - experience adjustments	<u>1,055</u>	<u>1,055</u>
Recognized in other comprehensive income	<u>4,808</u>	<u>4,808</u>
Balance at December 31, 2019	<u>\$ 106,446</u>	<u>\$ 106,446</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's 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:

	<u>December 31</u>	
	2019	2018
Discount rates	0.75%	1.00%
Expected rates of salary increase	2.00%	2.00%

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

	December 31	
	2019	2018
Discount rate		
0.25% increase	\$ (3,750)	\$ (3,099)
0.25% decrease	\$ 3,965	\$ 3,272
Expected rate of salary increase		
0.25% increase	\$ 3,905	\$ 3,231
0.25% decrease	\$ (3,715)	\$ (3,077)

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.

Pai Lon International Trading Limited and Hon Shih Corp. are offshore companies that do not have pension plans. Hong Kong Antex Limited has no employees; thus, it does not have pension plan.

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Within 1 Year	More Than 1 Year	Total
<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	<u>70,306</u>	<u>-</u>	<u>70,306</u>
	<u>\$ 1,459,423</u>	<u>\$ 1,335,003</u>	<u>\$ 2,794,426</u>
Liabilities			
Accounts payable	\$ 159,573	\$ -	\$ 159,573
Other payables	23,915	-	23,915
Contract liabilities	<u>58,235</u>	<u>-</u>	<u>58,235</u>
	<u>\$ 241,723</u>	<u>\$ -</u>	<u>\$ 241,723</u>

	Within 1 Year	More Than 1 Year	Total
<u>December 31, 2018</u>			
Assets			
Trade receivables	\$ 6,263	\$ -	\$ 6,263
Other receivables	3,435	-	3,435
Inventory - constructing	1,397,613	1,757,349	3,154,962
Other current assets	<u>54,363</u>	<u>-</u>	<u>54,363</u>
	<u>\$ 1,461,674</u>	<u>\$ 1,757,349</u>	<u>\$ 3,219,023</u>
Liabilities			
Accounts payable	\$ 611,104	\$ -	\$ 611,104
Other payables	71,637	-	71,637
Contract liabilities	<u>976,837</u>	<u>-</u>	<u>976,837</u>
	<u>\$ 1,659,578</u>	<u>\$ -</u>	<u>\$ 1,659,578</u>

21. EQUITY

a. Common stock

	<u>December 31</u>	
	2019	2018
Number of shares authorized (in thousands)	<u>400,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 4,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>351,178</u>	<u>291,832</u>
Shares issued	<u>\$ 3,151,781</u>	<u>\$ 2,918,316</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

Capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

However, capital surplus recognized from the effect of changes in percentage of ownership interests in subsidiaries, which resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

The shareholders of the Corporation held their regular meeting on June 12, 2019 and in that meeting, resolved the amendments to the Corporation's Articles of Incorporation. According to the Corporation's amended Articles of Incorporation, the board of directors may, before recommending the distribution of any dividends, first appropriate for reserves which may be used at their discretion to meet unforeseen needs or any appropriate purpose. The board of directors may also, at its discretion, suspend the use of the reserves and use funds in the Corporation's business or appropriate investment. The Corporation may, in accordance with the law or the applicable listing rules and pursuant to a resolution in the

shareholders' meeting, make a special reserve. The annual surplus earnings, after payment of taxes, offset of previous losses, deduction for special reserve, and other adjustments for the current year, if there is still a balance, the balance together with prior years' unappropriated earnings, if any, should be distributed upon proposal by the board of directors and approval in the shareholders' meeting. The dividends could be distributed in whole by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

The Corporation's policy is to distribute dividends to shareholders in the form of stock dividends and cash dividends after taking into consideration the needs for future capital expenditure and operating capital demand. The distribution amount of surplus will make up the loss at not less than the current post-tax surplus, and the deduction which is based on the surplus reserve of the Company's shareholders' meeting, and 25% of the balance of other undistributed earnings in the current year, and The cash dividend ratio shall not be less than 20% of the total cash dividend and stock dividend.

The Corporation's policies on the distribution of employees' and directors' compensation are described in Note 23 (c) Employees' compensation and directors' compensation.

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

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings in June 2019 and June 2018, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2018	2017
Special reserve	\$ 99,508	\$ -
Cash dividends	\$ 58,366	\$ 79,590
Share dividends	\$ 233,465	\$ 265,301
Cash dividends per share (NT\$)	\$ 0.2	\$ 0.3
Share dividends per share (NT\$)	\$ 0.8	\$ 1.0

The appropriations of earnings for 2019 proposed or resolved by the Corporation's board of directors on March 19, 2020 were as follows:

	For the Year Ended December 31 2019
<u>Proposed</u>	
Special reserve	\$ 198,995
<u>Resolved</u>	
Cash dividends	\$ 189,107
Cash dividends per share (NT\$)	\$ 0.6

Regarding the appropriations of earnings for 2019, the amount of special reserve is subject to the resolution in the shareholders' meeting to be held on June 9, 2020.

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses and Non-Operating Expenses	Total
<u>For the Year Ended December 31, 2019</u>			
Short-term employee benefits	\$ 838,584	\$ 646,831	\$ 1,485,415
Post-employment benefits			
Defined contribution plans	48,432	23,936	72,368
Defined benefit plans (Note 19)	-	12,038	12,038
Other employee benefits	76,417	36,914	113,331
Depreciation expenses	330,625	151,053	481,678
Amortization expenses	21	623	644
<u>For the Year Ended December 31, 2018</u>			
Short-term employee benefits	661,034	607,387	1,268,421
Post-employment benefits			
Defined contribution plans	44,161	22,893	67,054
Defined benefit plans (Note 19)	-	10,324	10,324
Other employee benefits	83,905	43,725	127,630
Depreciation expenses	246,880	51,245	298,125
Amortization expenses	3,810	9,832	13,642

c. Employees' compensation and remuneration of directors

According to the articles of incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 3%, 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, 2019 and 2018 which have been resolved by the Corporation's board of directors on March 19, 2020 and March 14, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
Cash	Accrual rate	Amount (US Dollars)	Accrual rate	Amount (US Dollars)
Employees' compensation	1.11%	\$ 131,742	1.15%	\$ 123,821
Remuneration of directors	0.84%	100,370	0.91%	98,000

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

The actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2018 and 2017 differed from the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2019 and 2018, respectively.

	For the Year Ended December 31			
	2018 (US Dollars)		2017 (US Dollars)	
	Employees' Compensation	Remuneration of Directors and Supervisors	Employees' Compensation	Remuneration of Directors and Supervisors
Amounts resolved in the board of directors' meetings	<u>\$ 111,075</u>	<u>\$ 90,630</u>	<u>\$ 152,179</u>	<u>\$ 124,168</u>
Amounts recognized in the financial statements	<u>\$ 123,821</u>	<u>\$ 98,000</u>	<u>\$ 155,000</u>	<u>\$ 125,100</u>

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

24. TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 249,772	\$ 193,485
Adjustments for prior years	11,355	342
Land value increment tax	<u>26,037</u>	<u>30,479</u>
	<u>287,164</u>	<u>224,306</u>
Deferred tax		
In respect of the current year	60,304	25,590
Adjustments for prior years	<u>-</u>	<u>(4,190)</u>
	<u>60,304</u>	<u>21,400</u>
Income tax expense recognized in profit or loss	<u>\$ 347,468</u>	<u>\$ 245,706</u>

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

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	\$ 505,821	\$ 414,844
Nondeductible expenses in determining taxable income	675	5,892
Permanent difference	(265,250)	(206,580)
Tax-exempt income	(6,882)	(5,240)
Unrecognized temporary difference	(20,761)	(10,849)
Deferred tax effect of earnings of subsidiaries	96,473	30,947
Loss carryforward of the current year	-	(9,939)
Land value increment tax	26,037	30,479
Adjustments for prior years' tax	<u>11,355</u>	<u>(3,848)</u>
Income tax expense recognized in profit or loss	<u>\$ 347,468</u>	<u>\$ 245,706</u>

According to the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises and other regulations, Wuxi Paiho Textile Co., Limited and Dongguan Paihong Industry Co., Ltd are entitled to exemption from income tax for five years beginning from the first year the entity made profit – full exemption in the first two years and half exemption in the next three years. Operating loss, if any, may be carried forward and deducted from corporate income tax in the next five taxable years.

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%.

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 - full exemption in the first two years and half exemption in the next four years (10% tax rate is half rate).

According to the temporary provisions for land value added tax of the People's Republic of China effective January 1, 1994 and its implementation regulations effective January 27, 1995, when transferring government-owned land use rights, buildings, and related facilities in China, for the increase in value, there should be a 30% to 60% progressive tax rate calculated. If the increase in value is not exceed 20% of the total amount of the items that can be deducted, the sales of regular household 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.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follow:

	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 impairment loss	\$ 4,964	\$ (1,086)	\$ (145)	\$ 3,733
Allowance for inventory value decline	14,245	2,401	(626)	16,020
Interest income	1,796	2,108	(149)	3,755
Others	<u>9,349</u>	<u>2,928</u>	<u>265</u>	<u>12,542</u>
	<u>\$ 30,354</u>	<u>\$ 6,351</u>	<u>\$ (655)</u>	<u>\$ 36,050</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 liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 325,251	\$ 66,655	\$ (7,655)	\$ 384,251

For the Year Ended December 31, 2018				
Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance	
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 5,138	\$ (73)	\$ (101)	\$ 4,964
Allowance for inventory value decline	14,840	(306)	(289)	14,245
Interest income	-	1,831	(35)	1,796
Others	-	8,095	1,254	9,349
	<u>\$ 19,978</u>	<u>\$ 9,547</u>	<u>\$ 829</u>	<u>\$ 30,354</u>

<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 314,815	\$ 30,947	\$ (20,511)	\$ 325,251

25. 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, 2019</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 359,353	315,178	<u>\$1.14</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	86	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 359,353</u>	<u>315,264</u>	<u>\$1.14</u>

	Net profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2018</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 317,765	315,178	<u>\$1.01</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u> -</u>	<u> 90</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 317,765</u>	<u>315,268</u>	<u>\$1.01</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 31, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.09</u>	<u>\$ 1.01</u>
Diluted earnings per share	<u>\$ 1.09</u>	<u>\$ 1.01</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.

26. 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 number of new shares issued or repurchased and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

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

- 1) Short-term financial instruments' estimated fair value is based on the book value on the balance sheet. These financial instruments are very close to the expiration date; therefore, the book value is a reasonable basis for the estimation of fair value. This method is applicable to cash and cash equivalents, notes receivable, accounts receivable, other receivables and trade payables, short-term bank borrowings and other payable.
- 2) Long-term bank borrowings' estimated fair value is based on the anticipated cash flow discounted at the long-term interest rate which the Group can obtain in similar conditions. The Group's long-term interest rate is floating and book value is equal to fair value.

b. Categories of financial instruments

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,908,107	\$ 3,693,701
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	8,266,598	8,159,769

- 1) The balance includes financial assets measured at amortized cost, which comprise cash and cash equivalents, restricted deposit, notes receivable, trade receivables, other receivables and refundable deposits.
- 2) The balance includes financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables and long-term borrowings, finance lease payable and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The 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 its subsidiaries had 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) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD and HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in functional currencies of the group entities against USD and HKD 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. 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 with the functional currencies of the group entities strengthening 1% against the relevant currency. For a 1% weakening of the functional currencies of the group entities against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

	Currency Impact	
	For the Year Ended December 31	
	2019	2018
USD	\$ 4,616	\$ (16,668)
HKD	488	422

The above impacts are mainly attributable to exposure on outstanding receivables, payables and borrowings in currency USD and HKD which were not hedged at the end of the reporting period.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange 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 borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2019	2018
Fair value interest rate risk		
Short-term borrowings	\$ 2,128,580	\$ 2,185,390
Lease liabilities	14,075	-
Cash flow interest rate risk		
Short-term borrowings	1,741,838	1,784,429
Long-term borrowings	3,125,962	2,633,727

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, 2019 and 2018 would have decreased/increased by \$12,170 thousand and \$11,045 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 will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from 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 and obtaining sufficient collateral.

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 irrecoverable amounts. In this regard, Group's believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management 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, 2019 and 2018, the Group had available unutilized bank loan facilities of \$5,210,835 thousand and \$5,398,363 thousand, respectively.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods is based on the undiscounted cash flows including both interest and principal cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	Less Than 3 months	3 months - 1 Year	Over 1 Year
<u>December 31, 2019</u>			
Non-interest bearing	\$ 1,180,350	\$ 78,856	\$ 11,012
Lease liabilities	1,455	4,754	8,537
Short-term bank loan	2,371,418	1,499,000	-
Long-term bank loan	<u>179,880</u>	<u>352,265</u>	<u>2,593,817</u>
	<u>\$ 3,733,103</u>	<u>\$ 1,934,875</u>	<u>\$ 2,613,366</u>

Additional information about the maturity analysis for lease liabilities:

	Less Than 3 months	3 months - 1 Year	Over 1 Year
<u>December 31, 2018</u>			
Non-interest bearing	\$ 1,504,190	\$ 71,922	\$ -
Finance lease payable	734	-	-
Short-term bank loan	2,277,535	1,692,284	-
Long-term bank loan	<u>-</u>	<u>-</u>	<u>2,633,727</u>
	<u>\$ 3,782,459</u>	<u>\$ 1,764,206</u>	<u>\$ 2,633,727</u>

28. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is Paiho Int'l Limited, which held 52% of the ordinary shares of the Corporation at December 31, 2019 and 2018. The Corporation's ultimate parent is Taiwan Paiho Limited.

The 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 as follows.

a. Related Party Categories / Names

<u>Related Party</u>	<u>Related Party Category</u>
Taiwan Paiho Limited	The Company's ultimate parent
Vietnam Paiho Limited	Sister corporation
Paiho North America Corp.	Sister corporation
PT. Paiho Indonesia	Sister corporation
Zhuhai Sundust Apparel Company Limited	Associate (not related party from June 2018)
Dongguan Paiho Textile Limited	Sister corporation
Wuxi Paisem Chemical Fibre Co., Ltd.	Sister corporation
Kuo-Ian Cheng,	President of the Company

(Continued)

<u>Related Party</u>	<u>Related Party Category</u>
Ming-Chang Chiang	Others
Chang-Chieh Liu	Others
Chin-Hui Lin	Others
Hsi-Tung Cheng	Others
Hsin-Fa Huang	Others
Chiang-Tong Huang	Others
Yi-Chang Lin	Others
Chen-Chia Cheng	Others
Hsi-Ming Pai	Others
Ru-Shin Cheng	Others
Mei-Hui Lin	Others
Yun-Yun Cheng	Others

(Concluded)

b. Sales of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2019</u>	<u>2018</u>
Sales	Taiwan Paiho Limited	\$ 8,208	\$ 22,717
	Sister corporation	322,186	255,958
	Others	<u>48,759</u>	<u>135,022</u>
		<u>\$ 379,153</u>	<u>\$ 413,697</u>

The sale of goods to related parties were made at the market price. The credit period of sales of goods was about 3 months. Others refer to sale of construction assets - Paiho International Mansion at subscription price, which was approved in the local filing. As of December 31, 2019, advance real estate receipts were \$7,153 thousand (classified as contract liabilities - current).

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Taiwan Paiho Limited	\$ 270,757	\$ 312,806
Sister corporation	44	8
Associate	<u>-</u>	<u>18,808</u>
	<u>\$ 270,801</u>	<u>\$ 331,622</u>

Purchases were made at market price plus 15% mark-up. The payment period is 1 month or 3 months.

d. Contract liabilities

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Lease expense		
Taiwan Paiho Limited	\$ 128	\$ 128
Sister corporation	<u>4,514</u>	<u>4,257</u>
	<u>\$ 4,642</u>	<u>\$ 4,385</u>

The recognition exemption for short-term leases in 2019 and the future financial lease payments in 2018 are as follows:

	For the Year Ended December 31	
	2019	2018
No more than 1 year	\$ <u>4,531</u>	\$ <u>4,705</u>

Rental rates are based on the rental rates of nearby properties and set out by mutual agreement.

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

Line Item	Related Party Category/Name	December 31	
		2019	2018
Trade receivables	Taiwan Paiho Limited	\$ 1,767	\$ 3,113
	Sister corporation		
	Paiho North America Corp.	23,663	17,430
	Vietnam Paiho Limited	8,524	9,048
	PT. Paiho Indonesia	2,364	15,395
	Other	<u>215</u>	<u>1,790</u>
		<u>\$ 36,533</u>	<u>\$ 46,776</u>

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

Line Item	Related Party Category/Name	December 31	
		2019	2018
Trade payables	Taiwan Paiho Limited	\$ 36,573	\$ 36,921
	Sister corporation	<u>13</u>	<u>-</u>
		<u>\$ 36,586</u>	<u>\$ 36,921</u>
Other payables	Sister corporation	<u>\$ 5,613</u>	<u>\$ 2,779</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 85,206	\$ 79,686
Post-employment benefits	<u>1,250</u>	<u>870</u>
	<u>\$ 86,456</u>	<u>\$ 80,556</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as guarantee for power company:

	<u>December 31</u>	
	2019	2018
Financial assets at amortized cost	\$ 20,940	\$ 271,506

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments, and contingencies of the Group at December 31, 2019 and 2018 were as follows:

- a. Group's unrecognized commitments

	<u>December 31</u>	
	2019	2018
Acquisition of property, plant and equipment	\$ 311,323	\$ 441,701

- b. As of December 31, 2019 and 2018, the Group had signed construction contracts but not yet paid for approximately \$1,530,986 thousand and \$2,045,294 thousand, respectively.
- c. As of December 31, 2019, the Group had signed contracts of presold real estate. Information is set out below.

<u>Construction Name</u>	Total Amount (Including tax)	Received Amount
Paiho International Mansion	\$ 133,932	\$ 58,235

- d. After approval of a resolution at the extraordinary general meeting of shareholders on September 3, 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 19, 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.

- e. 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.

31. 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, 2019			December 31, 2018		
	Foreign Currencies	Exchange Rate (Note 1)	Carrying Amount	Foreign Currencies	Exchange Rate (Note 1)	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 16,392	6.9762 (Note 2)	\$ 492,306	\$ 12,578	6.8632 (Note 2)	\$ 386,050
USD	-	- (Note 3)	-	7,252	23.215 (Note 3)	222,753
HKD	13,208	3.849	50,844	11,158	3.921	43,766
<u>Financial liabilities</u>						
Monetary items						
USD	1,022	6.9762 (Note 2)	30,706	6,093	6.8632 (Note 2)	187,014
USD	-	- (Note 3)	-	68,000	23.215 (Note 3)	2,088,629
HKD	527	3.849	2,029	394	3.921	1,543

Note 1: Except as otherwise noted, exchange rate represents the amount of N.T. dollars for which one foreign currency could be exchanged.

Note 2: The exchange rate represents the amount of RMB for which one US dollar could be exchanged.

Note 3: The exchange rate represents the amount of VND for which one US dollar could be exchanged.

The Group is primarily exposed to risks of foreign currency exchange rates of USD and HKD. The information below is based on functional currencies of the entities in the Group against USD and HKD. The disclosed exchange rates indicate the rates to exchange the functional currency to presentation currency.

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

Foreign Currencies	For the Year Ended December 31			
	2019		2018	
	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
USD	30.9118 (USD:NTD)	\$ (5,724)	30.1493 (USD:NTD)	\$ (10,229)
RMB	4.4720 (RMB:NTD)	3,186	4.5600 (RMB:NTD)	26,267
HKD	3.945 (HKD:NTD)	(738)	3.8463 (HKD:NTD)	(20,662)
VND	-(VND:NTD)	-	0.001304 (VND:NTD)	(44,436)
		<u>\$ (3,276)</u>		<u>\$ (49,060)</u>

32. 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. (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 8)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Tables 5 and 7)
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Tables 5 and 7)
 - The amount of property transactions and the amount of the resultant gains or losses. (None)
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (Table 2)
 - 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, 6 and 7)
 - 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 7)

33. 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 manages and allocates resources to research and development, manufacturing and sales of main and auxiliary materials and construction. The operating activities are the operation departments of research and development, manufacturing and sales of main and auxiliary materials and accessories products. The Group's reportable segments are Production and Construction.

a. Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2019	2018	2019	2018
Production	\$ 5,266,816	\$ 4,468,917	\$ 641,981	\$ 418,619
Construction	<u>1,300,737</u>	<u>1,523,930</u>	<u>280,251</u>	<u>343,183</u>
Total from continuing operations	<u>\$ 6,567,553</u>	<u>\$ 5,992,847</u>	922,232	761,802
Interest income			42,921	35,796
Other income and benefits			27,495	34,795
Interest expenses			(197,875)	(123,284)
Other expenses and losses			<u>(24,511)</u>	<u>(89,762)</u>
Profit before income tax			<u>\$ 770,262</u>	<u>\$ 619,347</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the years ended December 31, 2019 and 2018.

Segment profit represented the profit before tax earned by each segment without interest income, subsidy revenue, net losses on disposal of property, plant and equipment, net foreign exchange gain or 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. Total segment 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 Corporation and its subsidiaries mainly operate in China and Vietnam.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
China	\$ 6,274,683	\$ 5,935,636	\$ 2,072,998	\$ 2,281,799
Vietnam	<u>292,870</u>	<u>57,211</u>	<u>5,414,985</u>	<u>4,701,540</u>
	<u>\$ 6,567,553</u>	<u>\$ 5,992,847</u>	<u>\$ 7,487,983</u>	<u>\$ 6,983,339</u>

Non-current assets do not include assets that are classified as deferred tax assets.

d. Information about major customers

In 2019 and 2018, no single customer accounts for at least 10% of the Group's service revenue; therefore, no customer information is required to be disclosed.

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Notes 3 and 5)	Ending Balance (Notes 4 and 5)	Actual Borrowing Amount (Notes 4 and 7)	Interest Rate	Nature of Financing (Note 6)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
0	The Corporation	Hon Shin Corp.	Receivables from related parties	Yes	\$ 216,230 (USD 7,000)	\$ -	\$ -	-	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,931,061	\$ 1,931,061
		Vietnam Paihong Limited Company	Receivables from related parties	Yes	831,500 (USD 27,000)	569,620 (USD 19,000)	419,720 (USD 14,000)	3-month USD Libor rate, plus 1.28% and 3.1%-4%	Necessary for short-term financing	-	Operating capital	-	-	-	1,931,061	1,931,061
1	Dongguan Paihong Industry Co., Ltd.	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Yes	656,608 (RMB 150,000)	602,700 (RMB 140,000)	602,700 (RMB 140,000)	4.7%	Necessary for short-term financing	-	Operating capital	-	-	-	1,197,149	1,197,149
2	Wuxi Paiho Textile Co. Limited	Wuxi Paihong Real Estate Co., Ltd.	Receivables from related parties	Yes	624,970 (RMB 140,000)	417,585 (RMB 97,000)	417,585 (RMB 97,000)	4.7%	Necessary for short-term financing	-	Operating capital	-	-	-	609,000	2,445,478
		Wuxi Paiwei Biotechnology Co. Ltd.	Receivables from related parties	Yes	45,200 (RMB 10,000)	43,050 (RMB 10,000)	43,050 (RMB 10,000)	4.7%	Necessary for short-term financing	-	Operating capital	-	-	-	43,500	2,445,478
3	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivables from related parties	Yes	699,775 (USD 22,750)	665,181 (USD 22,188)	665,181 (USD 22,188)	3-month USD Libor rate, plus 1.28% and 2.25%	Necessary for long-term and short-term financing	-	Operating capital	-	-	-	787,139	787,139

Note 1: The amount for lending to a company shall not exceed the maximum of borrowers' paid-in capital and net worth, except that lending to foreign companies whose voting shares are 100% owned, directly or indirectly by 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 2: The total amount for lending shall not exceed 40% of the net worth of lender.

Note 3: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.

Note 4: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Note 5: The ending balance amount has been approved by the board of directors.

Note 6: The restriction that the term of each loan for funding should not exceed one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Corporation holds, directly or indirectly, 100% of the voting shares.

Note 7: Significant intercompany accounts and transactions have been eliminated.

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	Hon Shin Corp.	Note 1	\$ 4,827,652	\$ 3,575,280 (USD 107,000) (EUR 8,000)	\$ 2,367,320 (USD 70,000) (EUR 8,000)	\$ 1,056,580 (USD 34,100) (EUR 1,020)	\$ -	49.04%	\$ 7,241,478	Yes	-	-
		Vietnam Paihong Limited Company	Note 1	4,827,652	3,768,580 (USD 123,000)	3,687,540 (USD 123,000)	2,218,520 (USD 74,000)	-	76.38%	7,241,478	Yes	-	-
		Dongguan Paihong Industry Co., Ltd.	Note 1	4,827,652	275,210 (USD 9,000)	149,900 (USD 5,000)	-	-	3.11%	7,241,478	Yes	-	Yes

Note 1: Holding more than 50% of the voting shares directly or indirectly.

Note 2: The individual amount shall not exceed 100% of the net worth of the Corporation and the total amount shall not exceed guarantee limit.

Note 3: The total amount of the guarantee shall not exceed 150% of the net worth of the 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 at prevailing exchange rate on balance sheet date.

PAIHO SHIH HOLDINGS CORPORATION 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, 2019
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance (Notes 1 and 2)	
					Shares	Amount	Shares	Amount	Shares	Amount
The Corporation	Capital stock	Investments accounted for using equity method	Hon Shin Corp.	Subsidiary	70,000,000	\$ 1,600,633	25,000,000	\$ 786,360	95,000,000	\$ 1,729,165
Hon Shin Corp.	Stock right	Investments accounted for using equity method	Vietnam Paihong Limited Company	Subsidiary	-	1,756,299	-	776,975	-	1,960,163
Wuxi Paiho Textile Co., Ltd.	Stock right	Investments accounted for using equity method	Wuxi Paihong Real Estate Co., Ltd.	Subsidiary	-	1,394,561	-	433,885	-	1,938,116

Note 1: The ending balance included investment income or loss from investment accounted for using equity method and exchange differences on translating foreign operations.

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

PAIHO SHIH HOLDINGS CORPORATION 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, 2019**

(In Thousands of Currency)

Buyer	Property	Event Date	Transaction Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Vietnam Paihong Limited Company	Land use right	2019.6.20	VND 298,878,560	As of December 31, 2019, VND132,993,162 has been paid	Becamex Idc Corporation (Investment and Industrial Development Corporation)	-	-	-	-	\$ -	Refer to market price and set out by mutual agreement	Operating purpose	-

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars or Foreign Currency)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Pai Lon International Trading Limited	Dongguan Paihong Industry Co., Ltd. (Note 2)	Note 1	Sale	\$ 400,029 (USD12,941)	(35%)	About 3 months	Use market price or purchase cost plus 17% of Pai Lon International Trading Limited	About 3 months	\$ 28,440 (USD 949)	26%	-
	Wuxi Paiho Textile Co., Limited (Note 2)	Note 1	Sale	139,285 (USD 4,506)	(12%)	About 3 months	Use market price or purchase cost plus 17% of Pai Lon International Trading Limited	About 3 months	10,828 (USD 361)	10%	-
	Vietnam Paiho Limited	Note 1	Sale	158,923 (USD 5,141)	(14%)	About 3 months	Use market price	About 3 months	8,524 (USD 284)	8%	-
Hon Shin Corp.	Vietnam Paihong Limited Company (Note 2)	Note 1	Sale	316,176 (USD10,228)	(54%)	About 3 months	Use market price	About 3 months	98,351 (USD 3,281)	57%	-
Wuxi Paiho Textile Co., Limited	Pai Lon International Trading Limited (Note 2)	Note 1	Sale	370,912 (RMB82,941)	(16%)	About 3 months	Use market price or 88% sales price of Pai Lon International Trading Limited	About 3 months	-	-	-
	Taiwan Paiho Limited	Note 1	Purchase	158,900 (RMB35,532)	17%	About 3 months	Use market price	About 3 months	(24,685) (RMB 5,734)	18%	-
Vietnam Paihong Limited Company	Hon Shin Corp. (Note 2)	Note 1	Sale	168,082 (USD 5,437)	(90%)	About 3 months	Use market price	About 3 months	10,069 (USD 336)	54%	-
Dongguan Paihong Industry Co., Ltd.	Wuxi Paiho Textile Co., Limited (Note 2)	Note 1	Sale	137,998 (RMB30,858)	(5%)	About 3 months	Use market price	About 3 months	13,654 (RMB 3,172)	2%	-

Note 1: See Note 10 to the consolidated financial statements.

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party (Note 3)	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	Vietnam Paihong Limited Company	Note 2	\$ 420,703 (USD 14,033)	-	\$ -	-	\$ -	\$ -
Dongguan Paihong Industry Co., Ltd	Wuxi Paihong Real Estate Co., Ltd.	Note 2	625,941 (RMB 145,399)	-	-	-	-	-
	Pai Lon International Trading Limited	Note 2	127,980 (RMB 29,728)	1.13	-	-	127,980 (RMB 29,728)	-
Wuxi Paiho Textile Co. Limited	Wuxi Paihong Real Estate Co., Ltd.	Note 2	440,671 (RMB 102,362)	-	-	-	39 (RMB 9)	-
Hon Shin Corp.	Vietnam Paihong Limited Company	Note 2	765,543 (USD 25,536)	0.68	-	-	13,131 (USD 438)	-

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

Note 2: See Note 10 to the consolidated financial statements.

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars or Foreign Currency)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details					
				Financial Statement Account (Note 2)	Amount (Note 2)	Payment Terms	% to Total Sales or Assets		
0	The Corporation	Vietnam Paihong Limited Company	1	Receivables-related parties	USD 14,000	-	3		
		Vietnam Paihong Limited Company	1	Other receivables	USD 33	-	-		
		Vietnam Paihong Limited Company	1	Interest revenue	USD 764	-	-		
		Hon Shin Corp.	1	Other revenue	USD 1,800	-	1		
		Pai Lon International Trading Limited	1	Other receivables	USD 9	-	-		
1	Pai Lon International Trading Limited	Pai Lon International Trading Limited	1	Other revenue	USD 2,400	-	1		
		Wuxi Paiho Textile Co., Limited	3	Trade receivables	USD 361	About 3 months	-		
		Wuxi Paiho Textile Co., Limited	3	Prepayments	USD 206	About 3 months	-		
		Wuxi Paiho Textile Co., Limited	3	Other payable	USD 8	-	-		
		Wuxi Paiho Textile Co., Limited	3	Sales	USD 4,506	About 3 months	3		
		Wuxi Paiho Textile Co., Limited	3	Cost of goods sold	USD 12,064	About 3 months	7		
		Wuxi Paiho Textile Co., Limited	3	Unrealized sales profits	USD 602	-	-		
		Dongguan Paihong Industry Co., Ltd.	3	Trade receivables	USD 949	About 3 months	-		
		Dongguan Paihong Industry Co., Ltd.	3	Trade payables	USD 287	About 3 months	-		
		Dongguan Paihong Industry Co., Ltd.	3	Temporary receipts	USD 3,974	-	1		
		Dongguan Paihong Industry Co., Ltd.	3	Sales	USD 12,941	About 3 months	8		
		Dongguan Paihong Industry Co., Ltd.	3	Cost of goods sold	USD 2,387	About 3 months	1		
		Dongguan Paihong Industry Co., Ltd.	3	Unrealized sales profits	USD 157	-	-		
		Hon Shin Corp.	3	Other receivables	USD 357	-	-		
		Hon Shin Corp.	3	Trade receivables	USD 34	About 3 months	-		
		Hon Shin Corp.	3	Sales	USD 115	About 3 months	-		
		Wuxi Paiwei Biotechnology Co., Ltd.	3	Sales	USD 148	About 3 months	-		
		2	Wuxi Paiho Textile Co. Limited	Dongguan Paihong Industry Co., Ltd.	1	Trade receivables	RMB 602	About 3 months	-
				Dongguan Paihong Industry Co., Ltd.	1	Trade payables	RMB 3,172	About 3 months	-
				Dongguan Paihong Industry Co., Ltd.	1	Sales	RMB 3,833	About 3 months	-
Dongguan Paihong Industry Co., Ltd.	1			Cost of goods sold	RMB 30,858	About 3 months	3		
Dongguan Paihong Industry Co., Ltd.	1			Rent cost	RMB 109	-	-		
Dongguan Paihong Industry Co., Ltd.	1			Unrealized sales profits	RMB 233	-	-		
Wuxi Paihong Real Estate Co., Ltd.	1			Receivables - related parties	RMB 97,000	-	3		
Wuxi Paihong Real Estate Co., Ltd.	1			Other receivables	RMB 5,362	-	-		
Wuxi Paihong Real Estate Co., Ltd.	1			Interest revenue	RMB 5,050	-	-		

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account (Note 2)	Amount (Note 2)	Payment Terms	% to Total Sales or Assets
2	Wuxi Paiho Textile Co. Limited	Wuxi Paihong Real Estate Co., Ltd.	1	Rent revenue	RMB 34	-	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Trade receivables	RMB 44	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Receivables - related parties	RMB 10,000	-	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Other receivables	RMB 229	-	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Sales	RMB 83	About 3 months	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Interest revenue	RMB 128	-	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Rent Revenue	RMB 262	-	-
		Wuxi Paiwei Biotechnology Co., Ltd.	1	Receivables - related parties	RMB 140,000	-	4
3	Dongguan Paihong Industry Co., Ltd.	Wuxi Paihong Real Estate Co., Ltd.	3	Other receivables	RMB 5,399	-	-
		Wuxi Paihong Real Estate Co., Ltd.	3	Interest revenue	RMB 5,039	-	-
		Wuxi Paihong Real Estate Co., Ltd.	3	Unrealized sales profit	RMB 1,571	-	-
4	Hon Shin Corp.	Wuxi Paiho Textile Co., Limited	3	Trade receivables	USD 3,281	About 3 months	1
		Vietnam Paihong Limited Company	1	Receivables - related parties	USD 22,188	-	5
		Vietnam Paihong Limited Company	1	Other receivables	USD 67	-	-
		Vietnam Paihong Limited Company	1	Trade payables	USD 336	About 3 months	-
		Vietnam Paihong Limited Company	1	Sales	USD 10,228	About 3 months	6
		Vietnam Paihong Limited Company	1	Cost of goods sold	USD 5,437	About 3 months	3
		Vietnam Paihong Limited Company	1	Interest revenue	USD 446	-	-

(Concluded)

Note 1: Relationship of investee to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

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

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars and Foreign Currency)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee (Note 1)	Share of Profit (Loss) (Note 1)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount (Note 1)			
The Corporation	Hong Kong Antex Limited Pai Lon International Trading Limited	Hong Kong British Virgin Islands	International investments International trade	USD 54,335	USD 54,335	54,334,644	100	\$ 6,562,045	\$ 984,819	\$ 984,819	Subsidiary
				USD 1,791	USD 1,791	1,500,000	100	(95,197)	6,926	53	Subsidiary
Hon Shin Corp.	Hon Shin Corp. Vietnam Paihong Limited Company	British Samoa Binh Duong Province, Vietnam	International investments and trade Production & marketing of mesh and other fabrics.	USD 95,000	USD 70,000	95,000,000	100	1,729,165	(618,255)	(618,255)	Subsidiary
				USD 95,000	USD 70,000	-	100	1,960,163	(497,307)	(Note 3)	Sub - Subsidiary

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: Information on investment in mainland China, is on Table 9.

Note 3: Not applicable.

TABLE 9

PAIHO SHIH HOLDINGS CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 4 and 5)	Carrying Amount as of December 31, 2019 (Notes 4 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Wuxi Paiho Textile Co., Limited	Processing of Touch Fasteners, Webbing and Embroidery	\$ 1,655,670 (RMB 384,592)	(Note 1)	\$ 1,089,323 (USD 36,335)	\$ -	\$ -	\$ 1,089,323 (USD 36,335)	\$ 932,216	93	\$ 868,800	\$ 5,883,393	\$ 556,781 (USD 2,512) (RMB 111,840)
Dongguan Paihong Industry Co., Ltd	Production & Marketing of Touch Fastener, Elastic, Various Type of Webbing and Jacquard Engineered Mesh, And Consumer Electronic Accessories, Etc.	1,537,293 (RMB 357,095)	(Note 1)	539,640 (USD 18,000)	-	-	539,640 (USD 18,000)	633,834	96	594,149	2,958,007	298,369 (RMB 69,308)
Wuxi Paihong Real Estate Co., Ltd.	Commercial Property Management; Planning Consultants, Sales, Development & Leasing of Real Estate and Design Decoration.	1,635,900 (RMB 380,000)	(Note 1)	(Note 2)	-	-	(Note 2)	185,749	93	173,113	1,806,271	-
Wuxi Paiwei Biotechnology Co. Ltd	Production and Sales of Masks and Non-Woven Products	86,100 (RMB 20,000)	(Note 1)	(Note 2)	-	-	(Note 2)	(14,855)	93	(13,845)	60,906	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Not applicable	Not applicable	Not applicable

Note 1: See Note 10 to the consolidated financial statements.

Note 2: Investee of Wuxi Paiho Textile Co., Limited.

Note 3: The amounts denominated in foreign currency were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Note 4: The investment gain (loss) is recognized according to the financial statements audited by the Corporation's independent auditors.

Note 5: Significant intercompany accounts and transactions have been eliminated.

6.5 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 Status and Financial Performance, and Risk Management

7.1 Financial Status

Unit : NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	6,848,006	8,022,324	(1,174,318)	(14.64)
Noncurrent Assets	7,544,973	7,013,693	531,280	7.57
Total Assets	14,392,979	15,036,017	(643,038)	(4.28)
Current Liabilities	5,877,856	6,695,634	(817,778)	(12.21)
Noncurrent Liabilities	3,192,856	3,143,803	49,053	1.56
Total Liabilities	9,070,712	9,839,437	(768,725)	(7.81)
Capital Stock	3,151,781	2,918,316	233,465	8.00
Capital Surplus	461,544	461,544	0	0.00
Retained Earnings	1,959,400	1,896,686	62,714	3.31
Other Equity	(676,483)	(477,488)	(198,995)	(41.68)
Treasury Stock	0	0	0	0.00
Total Equity	5,322,267	5,196,580	125,687	2.42
Analysis of Major Changes:				
1. Other equity decreased compared with the same period last year: Mainly due to the difference in the cumulative conversion adjustment caused by the depreciation RMB currency and the appreciation of the New Taiwan Dollar.				

7.2 Financial Performance

7.2.1 Analysis of Financial Performance

Unit : NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Net Sales	6,567,553	5,992,847	574,706	9.59
Cost of Sales	4,251,396	3,847,535	403,861	10.50
Gross Profit	2,316,157	2,145,312	170,845	7.96
Operating Expenses	1,393,925	1,383,510	10,415	0.75
Profit from Operations	922,232	761,802	160,430	21.06
Non-operating Income and Expenses	(151,970)	(142,455)	(9,515)	(6.68)
Profit Before Income Tax	770,262	619,347	150,915	24.37
Income Tax Expense	347,468	245,706	101,762	41.42
Net Profit	422,794	373,641	49,153	13.16
<p>Analysis of Changes in Ratio:</p> <p>The Company has actively developed jacquard engineered mesh and continued to develop high value-added products in recent years and has continued to expand the application of products, resulting in an increase in overall turnover, gross profit, profit from operations and profit before income tax, as well as an increase in corresponding income tax expenses.</p>				

7.2.2 Expected Sales Quantity and its Basis, Possible Impact on the Company's Future Financial Business, and the Corresponding Plan:

The Company mainly sells a wide range of products, and will have a large difference in sales price between products due to different processing procedures, so it is not suitable to use sales volume as the measurement standard. However, the Company's future sales policy is to continue to maintain the technological advantages of the products; develop new products and promote product diversification, and continuously increase the added value of the products in order to improve the Company's profit.

7.3 Cash Flow

7.3.1 Analysis of Cash Flow in 2019

Unit : NT\$ thousands

Cash and Cash Equivalents at the Beginning of Year (1)	Cash Flow from Operating Activities (2)	Cash Flow from Investing Activities (3)	Cash Flow from Financing Activities (4)	Effects of Exchange Rate Changes on the Balance of Cash and Cash Equivalents Held in Foreign Currencies (5)	Cash and Cash Equivalents at the End of Year (1)-(2)-(3) +(4)-(5)
2,171,699	(25,622)	(776,656)	497,150	(120,952)	1,745,619

Analysis of Flow Changes:

- (1). Net cash outflow from operating activities: Mainly due to the income recognized in 2019 from the sale of pre-sale housing of the construction project in 2018 and the increase in income tax paid, resulting in a net cash outflow from operating activities in 2019.
- (2). Net cash outflow from investing activities: Mainly due to the expenditures on new plants and equipment purchases.
- (3). Net cash inflow from financing activities: Mainly due to the expansion of operation scale, the continuous expansion of plants and equipment, and the demand for high working capital, resulting in an increase in bank loans.

7.3.2 Improvement Plan(s) for Inadequate Liquidity :

The Company and its subsidiaries had been in close contact with banks in 2019 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 at the 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 Plan	Financing Plan
1,745,619	2,481,117	(1,754,276)	2,472,460	None	None
<p>1. Analysis of cash flow changes in the future year</p> <p>(1) Operating activities: It is expected that profit will be generated continuously in 2020. Therefore, net cash inflow from operating activities is expected to be generated throughout the year.</p> <p>(2) Other activities are expected throughout the year: Mainly due to repayment of bank funds, resulting in a net cash outflow.</p> <p>2. Remedial measures for cash shortfalls: Not applicable.</p>					

7.4 Impact of Major Capital Expenditures on Financial Operations in the Recent Year

Mainly to respond to the needs of future operational development. Expand plant construction and the purchase of related equipment in response to the development of new products or customer orders continuously. In addition to expanding the production capacity for by-products, enter the main material market, and increase sales and profits. The source of funds for plant construction and expansion and for the purchase of equipment is mainly supported by working capital and long-term bank loans, which have no material impact on the financial and business conditions of the Company.

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 reinvestment benefit was US\$ 11,871 thousand under the equity method adopted in 2019, an increase from US\$ 11,135 thousand in the previous year. It was mainly due to the fact that the invested company actively developed high value-added products and expanded the application of products, so profits increased.

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:

1. Exchange Rate

The main operating locations of the Company are located in China and Vietnam; therefore, fluctuation of exchange rate has certain impacts on the gain/loss of the Company. The account receivables and account payables of the subsidiaries of the Company mainly use the RMB, USD, or VND for price calculation, and the currency receipt and payment amount of different currencies have little difference. Consequently, the currency exchange risk caused by fluctuation of exchange rate can be naturally avoided in general. In the future, various measures will be adopted appropriately to cope with the change of exchange rate according to the trend of the global economy and the business strategy of each subsidiary in order to reduce the impacts of the exchange rate fluctuation on the Company.

2. Interest Rate

The Company continues to expand the business scale in order to strengthen the competitiveness, and also maintains excellent relationships with transaction banks in order to obtain funds at a lower cost. In the future, the Company will make comprehensive consideration according to the limit and cost of various fund sources in order to raise necessary funds. Since the financial status of the Company is stable, there is no concern in the loan and credit record. It is expected that interest rate fluctuation will not have any major impacts on the overall business of the Company.

3. Inflation/Deflation

There have been no major impacts on the Company and subsidiaries due to inflation. In the case where the purchase cost increases due to inflation, the Company will also appropriately adjust the sales price. Therefore, it has no major impacts on the gain/loss of the Company. In addition, the Company also regularly or irregularly reviews the economic data and reports of the government and research institutions in order to review and collect relevant information to provide references to the management level for decision making.

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 :

1. Engagement in High Risk and High Leverage Investment Transactions: None.

2. Lending Funds to Others

The Company has established the "Operational Procedures for Loaning of Company Funds " and it has been approved by the Shareholders' Meeting. When the Company and subsidiaries handle lending funds to others, it is handled according to the "Operational Procedures for Loaning of Company Funds" of the Company and subsidiaries, and after the resolution and approval of the Board of Directors, such lending funds to others can then be executed.

3. Endorsements and Guarantees

The Company has established the "Regulation Governing Making of Endorsements/Guarantees" and it has been approved by the Shareholders' Meeting. When the Company and subsidiaries handle the making of endorsements or guarantees, it is handled according to the "Regulations Governing Making of Endorsements/Guarantees" of the Company and subsidiaries, and after the resolution and approval of the Board of Directors, such making of endorsements or guarantees can then be executed.

In the recent year and up to the annual report publication date, the Company has not made any endorsement or guarantee to others outside the Group. The endorsements or guarantees inside the Group mainly refer to guarantees made to assist each subsidiary to acquire the financing amount from the bank, which complies with relevant laws. Therefore, the relevant risk thereof is limited.

4. Derivatives Trading

The Company and subsidiaries adopt the conservative and stable principle in performing derivative trading. Presently, the Company has not engaged in any relevant operations; however, the Company may perform appropriate operations depending upon the future development needs, and it is mainly for the purpose of hedging the exchange rate fluctuation risk arising from product sales or material purchase.

7.6.3 Future R&D Projects and Expected Investment in the R&D Budget.

The Company establishes the Research and Development Management Center in charge of the planning of research and development plans of the Group. In the future, in addition to the joint development of new styles and types of products with all brand giant makers continuously, the Company will utilize the existing advantages to develop or introduce new products in order to increase the diversity of Company products, thereby satisfying the one-stop shopping demand of customers. It is expected that in the future, the annual research and development expense ratio invested will account for approximately 5% of the operating revenue.

7.6.4 Impacts of Important Domestic/Foreign Policies and Changes of Laws on the Financial Business of the Company and Countermeasures:

The main operating locations of the Company are located in China and Vietnam; therefore, each subsidiary is established with the Legal Office and hires legal counsel throughout the year depending upon the needs in order to pay attention to important domestic and international policies and legal change status at all times, and the impacts on the Company are assessed. In the recent year, changes of major domestic and international policies and laws have not caused any material unfavorable impacts on the financial status and business of the Company.

7.6.5 Impacts of Changes in Technology and Industry on the Financial Business of the Company and Countermeasures:

Through close cooperation with world-class factories and strengthening our R&D ability, the Company can rapidly control the industry development. In addition, the company also 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 management 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 management department will regularly review the system records of various network service projects, track abnormal situations, and every year 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 technology management department 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 2019 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:

Since the establishment, the Company and subsidiaries have been committed to maintaining the corporate image and complying with the regulatory requirements. Up to the present day, there haven't been occurrences of events capable of affecting the corporate image.

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:

In response to the needs of future operations and development, the expansion of factories in Vietnam and Dongguan, respectively, can help increase product diversity and approach the market in order to stay close to the customers with service provided accordingly. The facility in Vietnam has been constructed gradually, and the funds required are also mainly supported by the own operating funds and long-term loan from the bank. Consequently, there is no liquidity risk for insufficient fund supply.

7.6.9 Risks Faced during Material Incoming and Sales Centralization as well as Countermeasures:

The main raw materials required for the manufacturing of the Company is nylon monofilament yarn, nylon multifilament yarn, polyester yarn, etc. Since the aforementioned raw materials have a great number of suppliers in the market, the source supply is abundant and decentralized. In addition, there have been no occurrences of an overly large percentage of material purchase from specific suppliers in the last two years; therefore, the risk of centralized material purchase is relatively low.

The Company is one of the leading companies for the global professional manufacturing of touch fastener, webbing/shoelace, jacquard engineered mesh

materials, etc., and the application scope of the products is broad. Up to the present day, the number of customers has reached over one thousand customers such that the customer source is stable, and there is no risk of concentrated sales.

7.6.10 Impacts, Risks, and Countermeasures of Directors, Supervisors, or Shareholders with A Shareholding Percentage Exceeding 10%, Large Equity Transfer, or Change on the Company: None.

7.6.11 Impacts, Risks, and Countermeasures of Change in Management Rights to the Company:

The Company was not subject to any change of management rights in the recent year.

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.

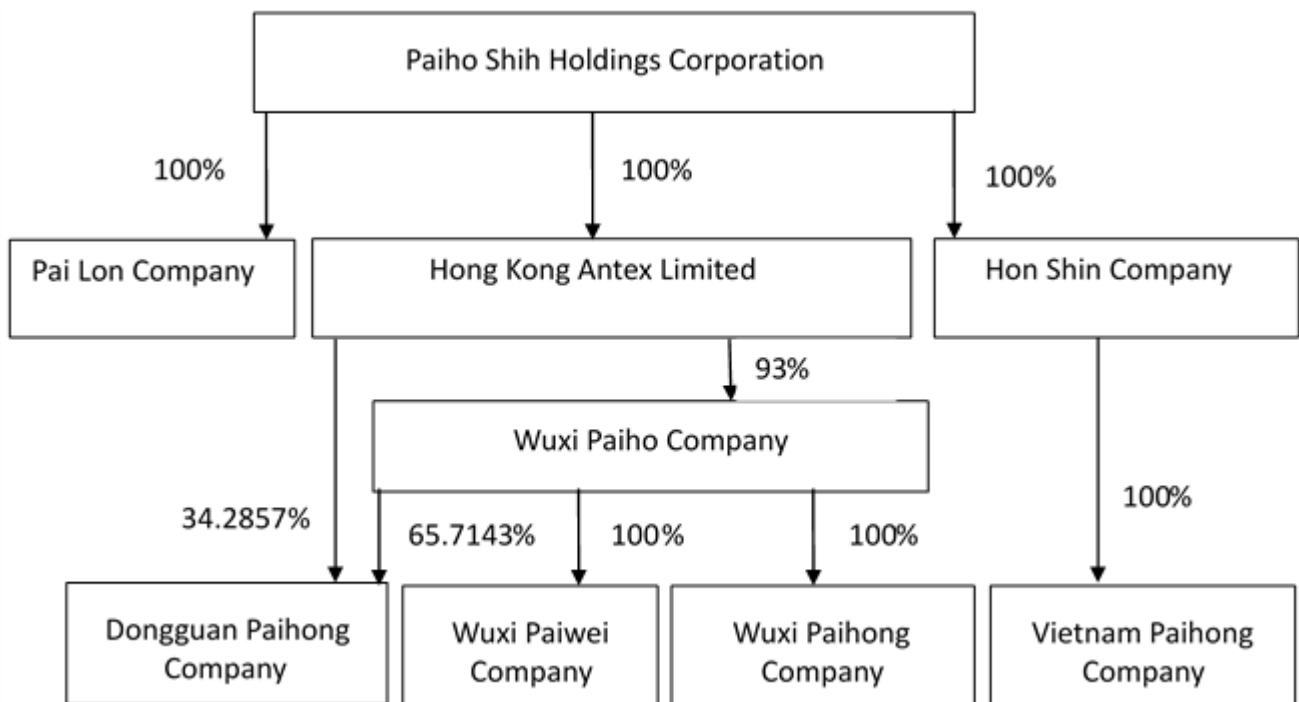
VIII. Special Disclosure

8.1 Summary of Affiliated Enterprises

8.1.1 Consolidated Business Report of Affiliated Enterprises

1. Organizational Chart of Affiliated Enterprises

December 31, 2019



2. Basic Information of Affiliated Enterprises

Unit : NT\$ thousands, except additional notes.

Company Name	Date of Incorporation	Place of Registration	Paid-in Capital (Note)	Major Business Item
Hong Kong Antex Company	June, 2007	Hong Kong	1,651,948	International investment.
Wuxi Paiho Company	July, 2001	Wuxi, China	1,655,670	Production & marketing of touch fastener, webbing and elastic.
Dongguan Paihong Company	October, 2005	Dongguan, China	1,537,293	Production & marketing of touch fastener, elastic, webbing, jacquard engineered mesh and 3C accessories.
Wuxi Paihong Company	February, 2013	Wuxi, China	1,635,900	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.
Wuxi Paiwei Company	December, 2017	Wuxi, China	86,100	Production and sales of masks and non-woven products.
Pai Lon Company	May, 2007	British Virgin Islands	44,970	International trading.
Hon Shin Company	June, 2016	Samoa	2,848,100	International investment & trading.
Vietnam Paihong Company	November, 2016	Vietnam	2,848,100	Production & marketing of mesh and other fabrics.

Note: (1) Hong Kong Antex Company paid-in capital HK\$ 429,188,833.

(2) Wuxi Paiho Company paid-in capital RMB\$ 384,592,275.

(3) Dongguan Paihong Company paid-in capital RMB\$ 357,094,824.

(4) Wuxi Paihong Company paid-in capital RMB\$ 380,000,000.

(5) Wuxi Paiwei Company paid-in capital RMB\$ 20,000,000.

(6) Pai Lon Company paid-in capital US\$ 1,500,000.

(7) Hon Shin Company paid-in capital US\$ 95,000,000.

(8) Vietnam Paihong Company paid-in capital US\$ 95,000,000.

(9) Exchange rates are used as follows:

USD : NTD = 1 : 29.98

RMB : NTD = 1 : 4.305

HK : NTD = 1 : 3.849

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 :

The Company is a holding company. The Company's subsidiaries with substantial operational functions include Wuxi Paiho Company, Dongguan Paihong Company, Wuxi Paihong Company, Wuxi Paiwei Company, Pai Lon Company, Hon Shin Company and Vietnam Paihong Company. The main business items are production and sales of touch fastener, webbing (shoelace), elastic, jacquard engineered mesh and 3C accessories as well as the sale of residential buildings constructed by entrusted construction contractors. In addition, in response to the market demand, in 2019 the Company entered the mask business in the biotech sector to provide new momentum for future operations.

(2) Major business item of Hong Kong Antex Company : International investment.

(3) Major business item of Wuxi Paiho Company : Production & marketing of touch fastener, webbing and elastic.

(4) Major business item of Dongguan Paihong Company : Production & marketing of touch fastener, elastic, webbing, jacquard engineered mesh and 3C accessories.

(5) Major business item of Wuxi Paihong Company : Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.

(6) Major business item of Wuxi Paiwei Company : Production and sales of masks and non-woven products.

(7) Major business item of Pai Lon Company : International trading.

(8) Major business item of Hon Shin Company : International investment & trading.

(9) Major business item of Vietnam Paihong Company : Production & marketing of mesh and other fabrics.

5. Rosters of Directors, Supervisors, and General Manager of Affiliated Enterprises

December 31, 2019

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 Holdings Corporation holds 54,334,644 shares.	100%
Wuxi Paiho Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Ming-Chang Chiang	0	0%
	Director	Pei-Chao Chang	0	0%
	Director	Jian-Fang Zhu	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%
Dongguan Paihong Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Chiang-Tong Huang	0	0%
	Supervisor	Chen-Chia Cheng	0	0%
	Supervisor	Cheng-Wei Cheng	0	0%
			Wuxi Paiho Company investment US\$ 34,500 thousand.	66%
			Hong Kong Antex Company investment US\$18,000 thousand.	34%
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 thousand.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
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\$20,000 thousand.	100%
Pai Lon Company	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Holdings Corporation holds 1,500,000 shares.	100%
Hon Shin Company	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Holdings Corporation holds 95,000,000 shares.	100%
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%

6.Operational Highlights of Affiliated Enterprises

Unit: NT\$ thousands, except EPS (NT\$)

Company Name	Paid-in Capital (Note)	Assets	Liabilities	Equity	Net Sales	Profit from Operations (Loss)	Net Profit (Loss)	Earnings Per Share attributable to Shareholders of the Parent
Paiho Shih Holdings Corporation	3,151,781	14,392,979	9,070,712	5,322,267	6,567,553	922,232	422,794	1.14
Hong Kong Antex Company	1,651,948	6,945,517	384,208	6,561,309	1,055,846	1,055,845	960,996	-
Wuxi Paiho Company	1,655,670	6,674,675	412,958	6,261,717	2,162,340	358,313	896,537	-
Dongguan Paihong Company	1,537,293	3,444,349	309,349	3,135,000	2,665,092	684,897	613,398	-
Wuxi Paihong Company	1,635,900	3,287,189	1,305,119	1,982,070	1,250,451	249,069	175,205	-
Wuxi Paiwei Company	86,100	116,978	51,634	65,344	4	(14,159)	(14,316)	-
Pai Lon Company	44,970	350,341	420,423	(70,082)	1,119,359	(11,092)	6,869	-
Hon Shin Company	2,848,100	2,869,526	1,140,361	1,729,165	571,745	(98,344)	(599,836)	-
Vietnam Paihong Company	2,848,100	5,840,924	3,835,668	2,005,256	181,956	(419,256)	(482,474)	-

- Note: (1) Hong Kong Antex Company paid-in capital HK\$ 429,188,833.
(2) Wuxi Paiho Company paid-in capital RMB\$ 384,592,275.
(3) Dongguan Paihong Company paid-in capital RMB\$ 357,094,824.
(4) Wuxi Paihong Company paid-in capital RMB\$ 380,000,000.
(5) Wuxi Paiwei Company paid-in capital RMB\$ 20,000,000.
(6) Pai Lon Company paid-in capital US\$ 1,500,000.
(7) Hon Shin Company paid-in capital US\$ 95,000,000.
(8) Vietnam Paihong Company paid-in capital US\$ 95,000,000.
(9) Exchange rates are used as follows:
RMB : NTD = 1 : 4.305
HK : NTD = 1 : 3.849
USD : NTD = 1 : 29.98

8.1.2 Consolidated Financial Statements of Affiliated Enterprises :

Same as Consolidated Financial Statements, please refer to page 146-211 of this annual report.

8.1.3 Affiliation Report : Not applicable.

8.2 Private Placement Securities in the Recent Year and Up to the Annual Report

Publication Date : None.

8.3 Paiho Shih Holdings Corporation 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 Law of Taiwan: None.

8.6 The Major Discrepancy with R.O.C. Regulations on Shareholders' Rights Protection :

No major discrepancy.

Paiho Shih Holdings Corporation

Chairman Kuo-lan Cheng