

Taiwan Paiho Limited and Subsidiaries

Consolidated Financial Statements and  
CPA Review Report  
Third Quarter of 2021 and 2020

Address: No. 575, Hegang Road, Hemei Township, Changhua County

Telephone: (04)7565311

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## **CPA Review Report**

To: Taiwan Paiho Limited

### **Foreword**

We have completed the review of the consolidated balance sheets of Taiwan Paiho Limited and its subsidiaries (Taiwan Paiho Group) as of September 30, 2021 and 2020, the consolidated statements of comprehensive income from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2021 and 2020, and the consolidated statements of changes in equity, consolidated statements of cash flow and notes to consolidated financial statements (including summary of major accounting policies) from January 1 to September 30, 2021 and 2020. It is the responsibility of the management to fairly present the consolidated financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 – “Interim Report” recognized and announced by Financial Supervisory Commission. Our responsibility is to make a conclusion on the consolidated financial reports based on the review results.

### **Scope**

We conducted our review in accordance with the Statement of Auditing Standards No. 65 – Review of Financial Information Performed by the Independent Auditor of the Entity except those mentioned in Basis of Qualified Conclusion. The review procedure of the consolidated financial statement includes inquiry (mainly with the personnel charged with finance and accounting duties), analytic procedure, and other review procedures. As the scope of review is much smaller than an audit, we may not be able to detect all material items which could be detected in an audit. We therefore cannot present an audit opinion.

### **Basis of Qualified Conclusion**

As stated in note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements above for the same period have not been reviewed by CPAs. The total assets as of September 30, 2021 and 2020 are NT\$3,350,590 thousand and NT\$3,121,576 thousand respectively, accounting for 11% and 10% of the respective total consolidated assets; the total liabilities are NT\$1,350,477 thousand and NT\$1,161,368 thousand respectively, accounting for 8% and 6% of the total consolidated liabilities respectively; the total comprehensive profit and loss from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2021 and 2020 is NT\$169,787 thousand, NT\$102,510 thousand, NT\$308,484 thousand and NT\$112,380 thousand respectively, accounting for 42%, 20%, 16% and 9% of the total consolidated comprehensive profit and loss respectively.

### **Qualified Conclusion**

According to our review results, except that the financial statements of some non-significant subsidiaries mentioned in the paragraph of Basis of Qualified Conclusion may have an adjustment impact on the consolidated financial statements if reviewed by CPAs, it is not found that the consolidated financial statements above have not been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 “Interim Financial Reporting” approved and promulgated by the Financial Supervisory Commission that may lead to the inability to properly express the consolidated financial status of the Taiwan Paiho Group as of September 30, 2021 and 2020, the consolidated financial performance from July 1 to September 30, 2021 and 2020, and the consolidated financial performance and consolidated cash flow from January 1 to September 30, 2021 and 2020.

Deloitte Taiwan

Shu-Ching Chiang, CPA

Ting-Chien Su, CPA

Financial Supervisory Commission approval  
No.

Jin-Guan-Zheng-Shen-Zi No.1000028068

Financial Supervisory Commission approval  
No.

Jin-Guan-Zheng-Shen-Zi No.1070323246

November 9, 2021

### Notice to Readers

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

Taiwan Paiho Limited and Subsidiaries  
Consolidated Balance Sheets  
September 30, 2021 and December 31 and September 30, 2020

In Thousands of New Taiwan Dollars

Code	Asset	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
		Amount	%	-	%	Amount	%
<b>Current assets</b>							
1100	Cash and cash equivalents (Note 6)	\$ 5,161,635	17	\$ 5,988,581	19	\$ 5,199,896	17
1110	Financial assets at fair value through profit and loss – current (Note 7)	68,708	-	644,182	2	1,173,798	4
1136	Financial assets measured at amortized cost – current (Notes 9, 29)	266,468	1	711,689	2	548,031	2
1150	Notes receivable (Note 10)	119,849	-	178,958	1	154,103	-
1170	Trade receivables (Note 10)	2,509,146	9	2,480,638	8	2,313,918	7
1200	Other receivables	501,461	2	479,042	1	674,922	2
1310	Inventories – manufacturing (Note 11)	2,922,443	10	2,243,394	7	2,317,927	8
1320	Inventories – constructing (Note 11)	2,420,850	8	3,134,576	10	2,595,350	8
1470	Other current assets (Note 17)	556,350	2	674,890	2	536,490	2
11XX	Total current assets	<u>14,526,910</u>	<u>49</u>	<u>16,535,950</u>	<u>52</u>	<u>15,514,435</u>	<u>50</u>
<b>Non-current assets</b>							
1517	Financial assets at fair value through other comprehensive income – non-current (Note 8)	-	-	-	-	29,503	-
1535	Financial assets at amortized cost – non-current (Notes 9, 29)	293,074	1	29,143	-	29,473	-
1600	Property, plant and equipment (Notes, 13, 29)	12,303,744	42	12,607,349	40	12,666,278	41
1755	Right-of-use assets (Notes 14, 28)	1,475,950	5	1,552,252	5	1,587,234	5
1760	Investment property (Notes 14, 15)	142,802	-	149,695	-	148,032	1
1805	Goodwill (Note 16)	200,580	1	204,735	1	215,752	1
1821	Other intangible assets	4,749	-	2,320	-	1,231	-
1840	Deferred tax assets (Notes 4, 25)	259,274	1	285,592	1	213,640	1
1915	Prepayment for machinery and equipment	343,719	1	325,751	1	361,156	1
1995	Other non-current assets (Note 17)	67,618	-	49,600	-	44,512	-
15XX	Total non-current assets	<u>15,091,510</u>	<u>51</u>	<u>15,206,437</u>	<u>48</u>	<u>15,296,811</u>	<u>50</u>
1XXX	Total assets	<u>\$ 29,618,420</u>	<u>100</u>	<u>\$ 31,742,387</u>	<u>100</u>	<u>\$ 30,811,246</u>	<u>100</u>
<b>Liabilities and equity</b>							
<b>Current liabilities</b>							
2102	Short-term borrowings (Note 18)	\$ 4,754,986	16	\$ 3,981,840	13	\$ 6,280,825	20
2110	Short-term notes payable (Notes 18, 29)	900,000	3	-	-	-	-
2130	Contract liabilities – current (Notes 23 and 28)	237,531	1	3,238,327	10	2,416,102	8
2150	Notes payable	64,241	-	61,201	-	42,222	-
2170	Trade payables	1,007,655	3	626,412	2	675,593	2
2200	Other payables (Note 19)	1,417,871	5	1,575,598	5	1,449,398	5
2230	Current tax liabilities (Notes 4 and 25)	895,566	3	955,320	3	860,849	3
2280	Lease liabilities – current (Notes 14, 28)	27,222	-	27,514	-	26,674	-
2320	Current portion of long-term borrowings (Notes 18, 29)	454,865	2	1,182,322	4	1,510,749	5
2399	Other current liabilities	154,109	1	98,535	-	105,529	-
21XX	Total current liabilities	<u>9,914,046</u>	<u>34</u>	<u>11,747,069</u>	<u>37</u>	<u>13,367,941</u>	<u>43</u>
<b>Non-current liabilities</b>							
2540	Long-term borrowings (Notes 18, 29)	4,520,621	15	5,853,557	19	3,918,569	13
2570	Deferred tax liabilities (Notes 4, 29)	1,333,538	5	1,186,370	4	1,174,341	4
2580	Lease liabilities – non-current (Notes 14, 28)	98,036	-	113,528	-	118,662	-
2630	Deferred revenue – non-current	84,432	-	87,849	-	86,350	-
2640	Net defined benefit liabilities – non-current (Notes 4, 20)	279,928	1	282,943	1	248,058	1
2645	Guarantee deposits received	17,987	-	17,083	-	18,126	-
25XX	Total non-current liabilities	<u>6,334,542</u>	<u>21</u>	<u>7,541,330</u>	<u>24</u>	<u>5,564,106</u>	<u>18</u>
2XXX	Total liabilities	<u>16,248,588</u>	<u>55</u>	<u>19,288,399</u>	<u>61</u>	<u>18,932,047</u>	<u>61</u>
<b>Equity attributable to owners of the corporation</b>							
3110	Common stock	2,979,639	10	2,979,639	10	2,979,639	10
3200	Capital surplus	727,977	2	727,926	2	727,926	2
<b>Retained earnings</b>							
3310	Legal reserve	1,640,637	6	1,487,627	5	1,487,627	5
3320	Special reserve	572,198	2	448,343	1	448,343	2
3350	Unappropriated earnings	5,184,268	17	4,737,748	15	4,350,639	14
3400	Other equity interest	( 716,002 )	( 2 )	( 572,198 )	( 2 )	( 580,621 )	( 2 )
31XX	Total equity attributable to owners of the Corporation	<u>10,388,717</u>	<u>35</u>	<u>9,809,085</u>	<u>31</u>	<u>9,413,553</u>	<u>31</u>
36XX	Non-controlling interests	<u>2,981,115</u>	<u>10</u>	<u>2,644,903</u>	<u>8</u>	<u>2,465,646</u>	<u>8</u>
3XXX	Total equity	<u>13,369,832</u>	<u>45</u>	<u>12,453,988</u>	<u>39</u>	<u>11,879,199</u>	<u>39</u>
<b>Total liabilities and equity</b>							
		<u>\$ 29,618,420</u>	<u>100</u>	<u>\$ 31,742,387</u>	<u>100</u>	<u>\$ 30,811,246</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(Refer to the review report of Deloitte Taiwan on November 9, 2021)

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

Taiwan Paiho Limited and Subsidiaries  
Consolidated Statements of Comprehensive Income  
July 1 to September 30, 2021 and 2020 and January 1 to September 30, 2021 and 2020  
(Reviewed only, not Audited in Accordance with GAAS)

In Thousand New Taiwan Dollars, Except Earnings per Share

Code		July 1 to September 30, 2021		July 1 to September 30, 2020		January 1 to September 30, 2021		January 1 to September 30, 2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Sales (Notes 23)	\$ 3,480,848	100	\$ 3,400,553	100	\$ 14,162,141	100	\$ 10,993,885	100
5000	Cost of goods sold (Notes 11, 23, 24, 28)	<u>2,285,592</u>	<u>66</u>	<u>2,192,159</u>	<u>64</u>	<u>8,737,241</u>	<u>62</u>	<u>6,982,514</u>	<u>64</u>
5950	Gross profit	<u>1,195,256</u>	<u>34</u>	<u>1,208,394</u>	<u>36</u>	<u>5,424,900</u>	<u>38</u>	<u>4,011,371</u>	<u>36</u>
	Operating expense (Notes 24, 28)								
6100	Sales and marketing expenses	319,367	9	303,562	9	1,073,240	8	946,906	8
6200	General and administrative expenses	227,682	6	194,201	6	636,320	4	550,242	5
6300	Research and development expenses	145,954	4	144,802	4	444,913	3	422,275	4
6450	Expected credit loss (gain) (Note 10)	( <u>15,155</u> )	<u>-</u>	( <u>28,377</u> )	( <u>1</u> )	( <u>12,061</u> )	<u>-</u>	( <u>2,377</u> )	<u>-</u>
6000	Total operating expense	<u>677,848</u>	<u>19</u>	<u>614,188</u>	<u>18</u>	<u>2,142,412</u>	<u>15</u>	<u>1,917,046</u>	<u>17</u>
6900	Profit from operations	<u>517,408</u>	<u>15</u>	<u>594,206</u>	<u>18</u>	<u>3,282,488</u>	<u>23</u>	<u>2,094,325</u>	<u>19</u>
	Non-operating income and expense								
7010	Subsidy revenue	559	-	9,167	-	5,737	-	47,197	-
7100	Interest income	18,927	1	17,098	-	74,385	1	58,153	-
7190	Other income	50,456	1	17,847	1	72,624	-	37,657	-
7510	Interest expense (Notes 24, 28)	( <u>36,694</u> )	( <u>1</u> )	( <u>40,369</u> )	( <u>1</u> )	( <u>106,245</u> )	( <u>1</u> )	( <u>156,712</u> )	( <u>1</u> )
7590	Other expenses (Note 24)	( <u>14,373</u> )	<u>-</u>	( <u>1,227</u> )	<u>-</u>	( <u>30,408</u> )	<u>-</u>	( <u>23,468</u> )	<u>-</u>
7630	Net foreign exchange gain (loss) (Note 24)	<u>17,435</u>	<u>-</u>	( <u>29,691</u> )	( <u>1</u> )	( <u>31,137</u> )	<u>-</u>	( <u>39,757</u> )	<u>-</u>
7000	Total non-operating income and expenses	<u>36,310</u>	<u>1</u>	( <u>27,175</u> )	( <u>1</u> )	( <u>15,044</u> )	<u>-</u>	( <u>76,930</u> )	( <u>1</u> )
7900	Profit before income tax	553,718	16	567,031	17	3,267,444	23	2,017,395	18
7950	Income tax expense (Notes 4, 25)	<u>136,804</u>	<u>4</u>	<u>168,574</u>	<u>5</u>	<u>1,126,305</u>	<u>8</u>	<u>692,543</u>	<u>6</u>
8200	Net profit for the period	<u>416,914</u>	<u>12</u>	<u>398,457</u>	<u>12</u>	<u>2,141,139</u>	<u>15</u>	<u>1,324,852</u>	<u>12</u>
	Other comprehensive income								
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translating foreign operations	( <u>17,676</u> )	<u>-</u>	106,410	3	( <u>214,731</u> )	( <u>1</u> )	( <u>160,401</u> )	( <u>1</u> )
8399	And income tax related to items likely to be reclassified (Notes 4, 25)	<u>2,896</u>	<u>-</u>	( <u>3,959</u> )	<u>-</u>	<u>35,950</u>	<u>-</u>	<u>33,070</u>	<u>-</u>
8300	Other comprehensive income for the period (net income)	( <u>14,780</u> )	<u>-</u>	<u>102,451</u>	<u>3</u>	( <u>178,781</u> )	( <u>1</u> )	( <u>127,331</u> )	( <u>1</u> )
8500	Total comprehensive income for the period	<u>\$ 402,134</u>	<u>12</u>	<u>\$ 500,908</u>	<u>15</u>	<u>\$ 1,962,358</u>	<u>14</u>	<u>\$ 1,197,521</u>	<u>11</u>

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Code		July 1 to September 30, 2021		July 1 to September 30, 2020		January 1 to September 30, 2021		January 1 to September 30, 2020	
		Amount	%	Amount	%	Amount	%	Amount	%
	Net profit attributable to:								
8610	Owners of the Corporation	\$ 348,706	10	\$ 364,422	11	\$ 1,617,277	11	\$ 1,142,994	10
8620	Non-controlling interests	<u>68,208</u>	<u>2</u>	<u>34,035</u>	<u>1</u>	<u>523,862</u>	<u>4</u>	<u>181,858</u>	<u>2</u>
8600		<u>\$ 416,914</u>	<u>12</u>	<u>\$ 398,457</u>	<u>12</u>	<u>\$ 2,141,139</u>	<u>15</u>	<u>\$ 1,324,852</u>	<u>12</u>
	Total comprehensive income attributable to:								
8710	Owners of the Corporation	\$ 337,122	10	\$ 380,257	11	\$ 1,473,473	10	\$ 1,010,716	9
8720	Non-controlling interests	<u>65,012</u>	<u>2</u>	<u>120,651</u>	<u>4</u>	<u>488,885</u>	<u>4</u>	<u>186,805</u>	<u>2</u>
8700		<u>\$ 402,134</u>	<u>12</u>	<u>\$ 500,908</u>	<u>15</u>	<u>\$ 1,962,358</u>	<u>14</u>	<u>\$ 1,197,521</u>	<u>11</u>
	Earnings per share (Note 26)								
9750	Basic	<u>\$ 1.17</u>		<u>\$ 1.22</u>		<u>\$ 5.43</u>		<u>\$ 3.84</u>	
9850	Diluted	<u>\$ 1.17</u>		<u>\$ 1.22</u>		<u>\$ 5.42</u>		<u>\$ 3.83</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(Refer to the review report of Deloitte Taiwan on November 9, 2021)

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang



Taiwan Paiho Limited and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to September 30, 2021 and 2020  
(Reviewed only, not Audited in Accordance with GAAS)

In Thousands of New Taiwan Dollars

Code		Equity Attributable to Owners of the Corporation							Other Equity Interest	Total	Non-Controlling Interests	Total Equity	
		Capital Surplus (Note 22)				Retained Earnings (Note 22)							
		Common Stock (Note 22)	Additional Paid-in Capital	Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings					Exchange Differences on Translation of Foreign Operations
A1	Balance on January 1, 2020	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 145	\$ 1,335,409	\$ 230,730	\$ 4,471,368	(\$ 448,626)	\$ 283	\$ 9,296,693	\$ 2,370,398	\$ 11,667,091
C3	From donations and gifts	-	-	-	36	-	-	-	-	-	36	-	36
	Appropriation and distribution of earnings in 2019												
B1	Legal reserve	-	-	-	-	152,218	-	(152,218)	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	217,613	(217,613)	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	-	(893,892)	-	-	(893,892)	-	(893,892)
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	(91,557)	(91,557)
D1	Net profit from January 1 to September 30, 2020	-	-	-	-	-	-	1,142,994	-	-	1,142,994	181,858	1,324,852
D3	Other comprehensive profit or loss from January 1 to September 30, 2020	-	-	-	-	-	-	-	(132,278)	-	(132,278)	4,947	(127,331)
D5	Total comprehensive income (loss) from January 1 to September 30, 2020	-	-	-	-	-	-	1,142,994	(132,278)	-	1,010,716	186,805	1,197,521
Z1	Balance on September 30, 2020	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,350,639	(\$ 580,904)	\$ 283	\$ 9,413,553	\$ 2,465,646	\$ 11,879,199
A1	Balance on January 1, 2021	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	(\$ 542,523)	(\$ 29,675)	\$ 9,809,085	\$ 2,644,903	\$ 12,453,988
C3	From donations and gifts	-	-	-	51	-	-	-	-	-	51	-	51
	Appropriation and distribution of earnings in 2020												
B1	Legal reserve	-	-	-	-	153,010	-	(153,010)	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	123,855	(123,855)	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	-	-	-	(893,892)	-	-	(893,892)	-	(893,892)
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	(152,673)	(152,673)
D1	Net profit from January 1 to September 30, 2021	-	-	-	-	-	-	1,617,277	-	-	1,617,277	523,862	2,141,139
D3	Other comprehensive profit or loss from January 1 to September 30, 2021	-	-	-	-	-	-	-	(143,804)	-	(143,804)	(34,977)	(178,781)
D5	Total comprehensive profit or loss from January 1 to September 30, 2021	-	-	-	-	-	-	1,617,277	(143,804)	-	1,473,473	488,885	1,962,358
Z1	Balance on September 30, 2021	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 232	\$ 1,640,637	\$ 572,198	\$ 5,184,268	(\$ 686,327)	(\$ 29,675)	\$ 10,388,717	\$ 2,981,115	\$ 13,369,832

The accompanying notes are an integral part of the consolidated financial statements.  
(Refer to the review report of Deloitte Taiwan on November 9, 2021)

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

Taiwan Paiho Limited and Subsidiaries  
Consolidated Statement of Cash Flow  
January 1 to September 30, 2021 and 2020  
(Reviewed only, not Audited in Accordance with GAAS)

		In Thousands of New Taiwan Dollars	
Code		January 1 to September 30, 2021	January 1 to September 30, 2020
	Cash flows from operating activities		
A10000	Income before income tax	\$ 3,267,444	\$ 2,017,395
A20010	Adjustments for :		
A20100	Depreciation expense	954,905	954,020
A20200	Amortization expense	570	2,352
A20300	Expected credit reversed on trade receivables	( 12,061 )	( 2,377 )
A20900	Interest expense	106,245	156,712
A21200	Interest income	( 74,385 )	( 58,153 )
A22500	Profit (loss) on disposal of property, plant and equipment	2,671	( 4,351 )
A23700	Impairment loss recognized on non- financial assets	109,170	132,109
A24100	Unrealized foreign currency exchange loss (profit), net	( 2,549 )	6,105
A29900	Others	( 1,986 )	( 1,639 )
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at fair value through profit or loss	569,206	( 1,169,221 )
A31130	Notes receivable	58,418	( 68,944 )
A31150	Trade receivables	( 59,407 )	74,387
A31180	Other receivables	( 35,809 )	( 16,372 )
A31200	Inventories – manufacturing	( 835,167 )	( 190,409 )
A31200	Inventories – construction	636,523	57,175
A31240	Other current assets	95,534	( 250,139 )
A32125	Contract liabilities	( 2,943,940 )	2,414,830
A32130	Notes payable	3,040	( 8,419 )
A32150	Trade payables	398,251	93,984
A32180	Other payables	( 89,011 )	( 15,543 )
A32230	Other current liabilities	63,881	33,355
A32240	Net defined benefit liabilities	( 138 )	( 7,694 )
A33000	Cash generated from operations	2,211,405	4,149,163
A33100	Interest received	74,385	58,153
A33300	Interest paid	( 111,566 )	( 169,870 )
A33500	Income tax paid	( 979,518 )	( 428,694 )
AAAA	Net cash generated from operating activities	1,194,706	3,608,752

(Continued on the following page)

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Code		January 1 to September 30, 2021	January 1 to September 30, 2020
	Cash flow from investing activities		
B00040	Purchase of financial assets at amortized cost	(\$ 2,356,599)	(\$ 2,368,277)
B00050	Proceeds from disposal of financial assets at amortized cost	2,533,423	1,846,163
B02700	Payments for property, plant and equipment	( 538,298)	( 684,756)
B02800	Proceeds from disposal of property, plant and equipment	11,184	26,590
B03800	Decrease (increase) in refundable deposits	( 14,413)	189
B04500	Procurement of intangible assets	( 2,355)	( 1,301)
B05350	Payments for right-of-use assets	-	( 236,544)
B06700	Increase in other non-current assets	( 3,479)	( 1,630)
B07100	Increase of prepayment for machinery and equipment	( <u>336,051</u> )	( <u>231,211</u> )
BBBB	Net cash used in investing activities	( <u>706,588</u> )	( <u>1,650,777</u> )
	Cash flow from financing activities		
C00100	Proceeds from short-term borrowings	854,664	1,154,855
C00500	Proceeds from short-term notes payable	900,000	-
C01600	Proceeds from long-term borrowings	4,461,813	1,735,677
C01700	Repayments of long-term borrowings	( 6,409,718)	( 1,934,950)
C03000	Proceeds from guarantee deposits received	1,262	4,423
C04020	Repayment of the principal portion of lease liabilities	( 21,185)	( 29,655)
C04500	Dividends paid to owners of the Corporation	( 893,892)	( 893,892)
C05800	Dividends paid to non-controlling interests	( 152,673)	( 91,557)
C09900	Overdue dividend	<u>51</u>	<u>36</u>
CCCC	Net cash used in financing activities	( <u>1,259,678</u> )	( <u>55,063</u> )
DDDD	Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	( <u>55,386</u> )	( <u>93,606</u> )
EEEE	Net increase (decrease) in cash and cash equivalents	( 826,946)	1,809,306
E00100	Cash and cash equivalents at the beginning of period	<u>5,988,581</u>	<u>3,390,590</u>
E00200	Cash and cash equivalents at the end of period	<u>\$ 5,161,635</u>	<u>\$ 5,199,896</u>

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

(Refer to the review report of Deloitte Taiwan on November 9, 2021)

Taiwan Paiho Limited and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months ended September 30, 2021 and 2020  
(Reviewed only, not Audited in Accordance with GAAS)  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Company History

Taiwan Paiho Limited (hereinafter referred to as “the Corporation”) was incorporated in January 1985. It manufactures and sells touch fastener, webbing, shoelace, elastic, easy tape and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors.

The Corporation was approved to list its stock at Taiwan Stock Exchange Corporation (TWSE) for trading in January 2001.

This consolidated financial statement is expressed by the functional currency of the Corporation, which is NTD.

II. Date and Procedure for Approval of the Financial Statements

This consolidated financial statement was passed by the Board of Directors on November 9, 2021.

III. Application of New, Amended and Revised Standards and Interpretations

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the “Group”).

(II) The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to corporate mergers of which the acquisition dates are on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and in the condition necessary for operation in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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.

(III) 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 1)</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, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above 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.

#### IV. Summary of Significant Accounting Policies

(I) 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

IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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

(III) 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). Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and

the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

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

#### (IV) Other Significant Accounting Policies

Other than the explanations below, refer to note to significant accounting policies contained in the 2020 consolidated financial statements.

##### 1. Defined benefit after retirement

The pension cost in the interim period is based on the pension cost rate under actuarial decision on the last day of the previous period, calculated from the beginning to the end of the period. Adjustments have been made for significant market fluctuation, major revision of plans, repayments and other material one-off items.

##### 2. Income tax

The income tax expense is the sum of the income tax and deferred income tax of the period. The income tax in the interim period is assessed on the basis of the whole fiscal year at the expected tax rate applicable to the total earnings of the year and at the earnings before tax in the interim period in calculation.

#### V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.



VI. Cash and Cash Equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Petty cash and cash on hand	\$ 55,484	\$ 51,549	\$ 53,814
Checking accounts and demand deposits	2,551,324	1,060,410	1,477,767
Cash equivalents (deposit accounts with original maturities of less than 3 months)	<u>2,554,827</u>	<u>4,876,622</u>	<u>3,668,315</u>
	<u>\$ 5,161,635</u>	<u>\$ 5,988,581</u>	<u>\$ 5,199,896</u>

VII. Financial Instruments at Fair Value through Profit or Loss (FVTPL) – Current

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non derivative financial assets			
– Structured deposits	<u>\$ 68,708</u>	<u>\$ 644,182</u>	<u>\$ 1,173,798</u>

VIII. Financial Assets at Fair Value through Other Comprehensive Income(FVTOCI) – Non-Current

Equity Instrument Investment

Name of Investee	September 30, 2021	December 31, 2020	September 30, 2020
<u>Investments in equity instrument at FVTOCI - overseas unlisted common shares</u>			
Hong Kong Leader Elastic Limited	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,503</u>

The Group invested in Hong Kong Leader Elastic Limited under its long-term strategic objective and makes profit from long-term investment. The management of the Group holds that if the short-term fluctuation of fair value of the investment was recognized as income, it will be discrepant with the long-term investment plan. Therefore, the investment was chosen as financial asset at fair value through other comprehensive income in measurement.

IX. Financial Assets at Amortized Cost

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
<u>Current</u>			
Restricted deposits	<u>\$ 266,468</u>	<u>\$ 711,689</u>	<u>\$ 548,031</u>
<u>Non-current</u>			
Restricted deposits	<u>\$ 293,074</u>	<u>\$ 29,143</u>	<u>\$ 29,473</u>

For information on pledged financial assets at amortized cost, refer to Note 29.

X. Notes Receivable and Trade Receivables

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
<u>Notes receivable</u>			
At amortized cost	<u>\$ 119,849</u>	<u>\$ 178,958</u>	<u>\$ 154,103</u>
<u>Trade receivable</u>			
At amortized cost			
Gross carrying amount	\$ 2,628,461	\$ 2,614,953	\$ 2,431,373
Less: allowance for impairment loss	( <u>119,315</u> )	( <u>134,315</u> )	( <u>117,455</u> )
	<u>\$ 2,509,146</u>	<u>\$ 2,480,638</u>	<u>\$ 2,313,918</u>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetimes ECLs. The expected credit losses on trade receivables are estimated by reference to past default experience of the customer and an analysis of the customer's current financial position, adjusted for general economic conditions of the industry in which the customer 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.

	0–90 days	91–120 days	121–150 days	151–180 days	More than 181 days	Total
Expected credit loss rate	1-4%	1-20%	1-40%	1-80%	1-100%	
<u>September 30, 2021</u>						
Gross carrying amount	\$2,222,762	\$ 211,296	\$ 98,934	\$ 33,854	\$ 61,615	\$2,628,461
Loss allowance (Lifetime ECLs)	( 34,878)	( 19,301)	( 20,710)	( 12,350)	( 32,076)	( 119,315)
Amortized cost	<u>\$2,187,884</u>	<u>\$ 191,995</u>	<u>\$ 78,224</u>	<u>\$ 21,504</u>	<u>\$ 29,539</u>	<u>\$2,509,146</u>
<u>December 31, 2020</u>						
Gross carrying amount	\$2,326,006	\$ 182,015	\$ 52,230	\$ 11,184	\$ 43,518	\$2,614,953
Loss allowance (Lifetime ECLs)	( 53,396)	( 25,022)	( 17,697)	( 7,045)	( 31,155)	( 134,315)
Amortized cost	<u>\$2,272,610</u>	<u>\$ 156,993</u>	<u>\$ 34,533</u>	<u>\$ 4,139</u>	<u>\$ 12,363</u>	<u>\$2,480,638</u>
<u>September 30, 2020</u>						
Expected credit loss rate	1-4%	1-20%	1-40%	1-80%	1-100%	
Gross carrying amount	\$2,231,538	\$ 100,285	\$ 36,504	\$ 17,644	\$ 45,402	\$2,431,373
Loss allowance (Lifetime ECLs)	( 45,606)	( 13,095)	( 12,272)	( 11,884)	( 34,598)	( 117,455)
Amortized cost	<u>\$2,185,932</u>	<u>\$ 87,190</u>	<u>\$ 24,232</u>	<u>\$ 5,760</u>	<u>\$ 10,804</u>	<u>\$2,313,918</u>

The movements of the loss allowance of trade receivables were as follows:

	January 1 to September 30, 2021	January 1 to September 30, 2020
Balance at January 1	\$ 134,315	\$ 121,018
Less: Reversed impairment loss	( 12,061)	( 2,377)
Less: Amount written off	( 1,152)	( 109)
Foreign exchange gain or loss	( 1,787)	( 1,077)
Balance at September 30	<u>\$ 119,315</u>	<u>\$ 117,455</u>

## XI. Inventories

### (I) Manufacturing

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ 1,115,156	\$ 790,375	\$ 806,086
Work in progress	640,282	478,864	491,143
Raw materials and supplies	1,123,966	876,168	957,955
Inventory in transit	43,039	97,987	62,743
	<u>\$ 2,922,443</u>	<u>\$ 2,243,394</u>	<u>\$ 2,317,927</u>

The cost of inventories recognized as cost of goods sold from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2021 and 2020 was NT\$2,140,527 thousand, NT\$2,146,567 thousand, NT\$6,688,074 thousand and NT\$5,948,157 thousand, respectively. The cost of goods sold included inventory write-downs of NT\$13,157 thousand, NT\$21,089 thousand, NT\$109,170 thousand and NT\$130,405 thousand, respectively.

(II) Construction

	September 30, 2021	December 31, 2020	September 30, 2020
Construction under development	\$ 1,434,662	\$ 2,725,435	\$ 2,170,775
Construction to be sold	<u>986,188</u>	<u>409,141</u>	<u>424,575</u>
	<u>\$ 2,420,850</u>	<u>\$ 3,134,576</u>	<u>\$ 2,595,350</u>

Construction under development

Location	Project Name	Expected Date of Completion	September 30, 2021	December 31, 2020	September 30, 2020
Xishan District, Wuxi	Paiho International Mansion- Season Two	2021	\$ -	\$1,843,081	\$1,492,399
	Paiho Commercial Plaza	2022	<u>1,434,662</u>	<u>882,354</u>	<u>678,376</u>
			<u>\$1,434,662</u>	<u>\$2,725,435</u>	<u>\$2,170,775</u>

Construction to be sold

Location	Project Name	September 30, 2021	December 31, 2020	September 30, 2020
Xishan District, Wuxi	Paiho International Mansion - Season One	\$ 327,982	\$ 409,141	\$ 424,575
	Paiho International Mansion - Season Two	<u>658,206</u>	<u>-</u>	<u>-</u>
		<u>\$ 986,188</u>	<u>\$ 409,141</u>	<u>\$ 424,575</u>

The cost of inventories recognized as cost of real estate sold from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2021 and 2020 was NT\$145,065 thousand, NT\$45,592 thousand, NT\$2,049,167 thousand and NT\$1,034,357 thousand, respectively.

## XII. Subsidiaries

### (I) Subsidiaries included in the consolidated financial statements

Investee	Subsidiary	Nature of Activities	Percentage of Ownership (%)		
			2021 September 30	2020 December 31	2020 September 30
The Corporation	Paiho Int'L Limited (Note 1)	International investment	100	100	100
	Paiho Group Inc.	International investment	100	100	100
	PT. Paiho Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	99	99	99
	Paiho North America Corporation	Sales of touch fasteners and various type of webbings	100	100	100
	Spring Rich Limited	Extra processing of webbings	100	100	100
	Vietnam Paiho Limited (Note 1)	Manufacture and extra processing on touch fasteners and various type of webbings	33	33	33
Paiho Int'L Limited	Paiho Shih Holdings Corporation (Note 1)	International investment	52	52	52
	Dongguan Paiho Textile Limited	Production and sale of touch fastener, and elastics, webbings, and electronic embroidery	100	100	100
	He Mei Xing Ye Company Ltd. (Note 1)	International investment	100	100	100
	Zhong Yuan Xing Ye Company Ltd.	International trading	100	100	100
	PT. Paiho Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	1	1	1
	Wuxi Paiho Textile Co., Ltd. (Note 1)	Processing of touch fastener, webbing and embroidery	4	4	4
Paiho Shih Holdings Corporation	Hong Kong Antex Limited (Note 1)	International investment	100	100	100
	Pai Lon International Trading Limited (Note 1)	International trading	100	100	100
	Hon Shin Corp. (Note 1)	International investment and trading.	100	100	100
	Taiwan Pailong Biotechnology Co., Ltd. (Note 1 and Note 2)	Production and sales of masks and non-woven products	100	100	100
Hong Kong Antex Limited.	Wuxi Paiho Textile Co., Limited (Note 1)	Processing of touch fastener, webbing and embroidery	93	93	93
Hong Kong Antex Limited.	Dongguan Paihong Industry Co., Ltd. (Note 1)	Production and sale of touch fastener, elastic, webbings, and jacquard engineered mesh, and consumer electronic accessories, etc.	34	34	34
Wuxi Paiho Textile Co., Limited	Dongguan Paihong Industry Co., Ltd. (Note 1)	Production and sale of touch fastener, elastic, webbings, and jacquard engineered mesh, and consumer electronic accessories, etc.	66	66	66

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Investee	Subsidiary	Nature of Activities	Percentage of Ownership (%)		
			2021 September 30	2020 December 31	2020 September 30
	Wuxi Paihong Real Estate Co., Ltd. (Note 1)	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration	100	100	100
	Wuxi Paiwei Biotechnology Co., Ltd. (Note 1)	Production and sales of masks and non-woven products.	100	100	100
Hon Shin Corp.	Vietnam Paihong Limited Company (Note 1)	Production and sale of mesh and other fabrics.	100	100	100
He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited (Note 1)	Manufacture and extra processing on touch fasteners and various type of webbings	67	67	67
Paiho Group Inc.	Paiho Holdings Limited	International investment	100	100	100
Paiho Holdings Limited	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	25	25	25
	China Star International Limited	Production & marketing of powder coating	100	100	100
Braits Company Limited	Braits Company Limited	International investment	100	100	100
	Wuxi Paisem Chemical Fibre Co., Ltd.	Production and sale of chemical fiber	100	100	100
Wuxi Paisem Chemical Fibre Co., Ltd.	Wuxi Paiho Textile Co., Limited (Note 1)	Processing of touch fastener, webbing and embroidery	3	3	3
	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	75	-	-
China Star International Limited	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	-	75	75

Note 1: It is prepared in accordance with the financial statements reviewed by CPAs, and the rest are prepared in accordance with the financial statements not reviewed by CPAs.

Note 2: Taiwan Pai Lon Biotechnology Co., Ltd was set up in September, 2020. The Corporation's board of directors decided to dissolve and liquidate Taiwan Pai Lon Biotechnology Co., Ltd on May 7, 2021, finished the registration of the dissolution with the document received on June 7, 2021, and finished the liquidation on October 8, 2021.

The reinvestment structure as of September 30, 2021 and 2020 is shown in Tables 12 and 13.

Please refer to Tables 9 and 10 for the main business premises and the countries of company registration of the subsidiaries above.

(II) Information of subsidiaries with significant non-controlling interests

Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	September 30, 2021	December 31, 2020	September 30, 2020
Paiho Shih Holdings Corporation and subsidiaries	48%	48%	48%

Subsidiary	Profit (Loss) Allocated to Non-controlling Interests			
	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Paiho Shih Holdings Corporation and subsidiaries	<u>\$ 68,208</u>	<u>\$ 34,035</u>	<u>\$ 523,862</u>	<u>\$ 181,858</u>

Subsidiary	Accumulated Non-controlling Interests		
	September 30, 2021	December 31, 2020	September 30, 2020
Paiho Shih Holdings Corporation and subsidiaries	<u>\$ 2,981,115</u>	<u>\$ 2,644,903</u>	<u>\$ 2,465,646</u>

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 9,059,738	\$ 11,287,848	\$ 10,243,987
Non-current assets	6,984,099	7,218,318	7,226,909
Current liabilities	( 5,216,283)	( 7,401,420)	( 8,982,511)
Non-current liabilities	( 4,169,519)	( 5,157,032)	( 2,927,944)
Equity	<u>\$ 6,658,035</u>	<u>\$ 5,947,714</u>	<u>\$ 5,560,441</u>
Equity attributed to:			
Owners of the Corporation	\$ 3,676,920	\$ 3,302,811	\$ 3,094,795
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>2,981,115</u>	<u>2,644,903</u>	<u>2,465,646</u>
	<u>\$ 6,658,035</u>	<u>\$ 5,947,714</u>	<u>\$ 5,560,441</u>

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Sales	<u>\$ 1,860,168</u>	<u>\$ 1,368,329</u>	<u>\$ 8,168,481</u>	<u>\$ 5,134,004</u>
Net profit for the period	\$ 157,435	\$ 84,688	\$ 1,174,592	\$ 439,723
Other comprehensive income	( 7,143 )	187,910	( 74,566 )	8,101
Total comprehensive income	<u>\$ 150,292</u>	<u>\$ 272,598</u>	<u>\$ 1,100,026</u>	<u>\$ 447,824</u>
Net profit attributable to:				
Owners of the Corporation	\$ 89,227	\$ 50,653	\$ 650,730	\$ 257,865
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>68,208</u>	<u>34,035</u>	<u>523,862</u>	<u>181,858</u>
	<u>\$ 157,435</u>	<u>\$ 84,688</u>	<u>\$ 1,174,592</u>	<u>\$ 439,723</u>
Total comprehensive income attributed to:				
Owners of the Corporation	\$ 85,280	\$ 151,947	\$ 611,141	\$ 261,019
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>65,012</u>	<u>120,651</u>	<u>488,885</u>	<u>186,805</u>
	<u>\$ 150,292</u>	<u>\$ 272,598</u>	<u>\$ 1,100,026</u>	<u>\$ 447,824</u>
Cash flow				
Operating activities			(\$ 247,515)	\$ 2,195,655
Investing activities			( 97,105 )	( 694,555 )
Financing activities			( 699,154 )	495,059
Net cash generated from (used in)			<u>(\$ 1,043,774)</u>	<u>\$ 1,996,159</u>



### XIII. Property, Plant and Equipment

January 1 to September 30, 2021	Balance at the Beginning of Period	Additions	Disposals	Reclassified Amount	Translation Adjustment	Balance at the End of the Period
<u>Cost</u>						
Land	\$ 578,056	\$ -	\$ -	\$ 2,000	(\$ 1,696)	\$ 578,360
Buildings	7,498,220	15,843	( 20,430)	191,581	( 132,920)	7,552,294
Machinery and equipment	8,303,863	156,233	( 129,595)	233,492	( 140,517)	8,423,476
Transportation equipment	276,572	27,020	( 22,327)	2,012	( 4,637)	278,640
Miscellaneous equipment	824,261	40,695	( 25,805)	19,348	( 15,040)	843,459
Construction in progress	<u>1,159,586</u>	<u>261,476</u>	<u>-</u>	<u>( 137,352)</u>	<u>( 14,312)</u>	<u>1,269,398</u>
Total cost	<u>18,640,558</u>	<u>\$ 501,267</u>	<u>(\$ 198,157)</u>	<u>\$ 311,081</u>	<u>(\$ 309,122)</u>	<u>18,945,627</u>
<u>Accumulated depreciation</u>						
Buildings	1,715,855	\$ 231,292	(\$ 20,430)	\$ -	(\$ 28,259)	1,898,458
Machinery and equipment	3,599,270	571,769	( 120,141)	1,972	( 64,888)	3,977,982
Transportation equipment	151,723	21,734	( 20,445)	-	( 2,518)	150,494
Miscellaneous equipment	<u>566,361</u>	<u>74,111</u>	<u>( 23,286)</u>	<u>( 1,972)</u>	<u>( 10,265)</u>	<u>604,949</u>
Total accumulated depreciation	<u>6,033,209</u>	<u>\$ 898,906</u>	<u>(\$ 184,302)</u>	<u>\$ -</u>	<u>(\$ 105,930)</u>	<u>6,641,883</u>
Property, plant and equipment net amount	<u>\$12,607,349</u>					<u>\$12,303,744</u>
January 1 to September 30, 2020						
<u>Cost</u>						
Land	\$ 581,313	\$ -	\$ -	\$ -	(\$ 2,369)	\$ 578,944
Buildings	5,611,257	23,768	( 17,501)	71,590	( 99,932)	5,589,182
Machinery and equipment	8,316,200	88,099	( 61,724)	393,318	( 157,926)	8,577,967
Transportation equipment	282,764	5,527	( 9,279)	9,091	( 5,235)	282,868
Miscellaneous equipment	766,544	31,959	( 22,168)	22,389	( 12,733)	785,991
Construction in progress	<u>2,497,643</u>	<u>493,796</u>	<u>-</u>	<u>( 56,788)</u>	<u>( 68,691)</u>	<u>2,865,960</u>
Total cost	<u>18,055,721</u>	<u>\$ 643,149</u>	<u>(\$ 110,672)</u>	<u>\$ 439,600</u>	<u>(\$ 346,886)</u>	<u>18,680,912</u>
<u>Accumulated depreciation</u>						
Buildings	1,501,330	\$ 187,404	(\$ 5,196)	\$ 4,936	(\$ 21,922)	1,666,552
Machinery and equipment	3,149,952	607,467	( 56,492)	( 882)	( 49,796)	3,650,249
Transportation equipment	133,778	24,241	( 7,932)	1,181	( 2,499)	148,769
Miscellaneous equipment	<u>504,599</u>	<u>68,190</u>	<u>( 18,813)</u>	<u>( 3,761)</u>	<u>( 7,560)</u>	<u>542,655</u>
Total accumulated depreciation	<u>5,289,659</u>	<u>\$ 887,302</u>	<u>(\$ 88,433)</u>	<u>\$ 1,474</u>	<u>(\$ 81,777)</u>	<u>6,008,225</u>
<u>Accumulated impairment</u>						
Buildings	4,727	\$ 341	\$ -	\$ -	(\$ 26)	5,042
Machinery and equipment	<u>-</u>	<u>1,363</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>1,367</u>
Total accumulated impairment	<u>4,727</u>	<u>\$ 1,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 22)</u>	<u>6,409</u>
Property, plant and equipment net amount	<u>\$12,761,335</u>					<u>\$12,666,278</u>

The Corporation is located in Hemei Town, Changhua County, with an area of 55 square meters in the Hemei section of land (recorded as self-owned land for NT\$264,000), 2,597 square meters in the Zhongxiao section of land (recorded as self-owned land for NT\$8,773 thousand), and 5,034 square meters in the Tiaoxing section of land (recorded as self-owned land for NT\$40,392 thousand). These are agricultural land temporarily registered in the names of others, with the Corporation as the obligee and establishment of a certificate of other rights which stipulates that the Corporation has the ownership of the land.

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

Buildings	
Main buildings	5 to 60 years
Electromechanical power equipment	3 to 20 years
Engineering system	5 to 25 years
Others	3 to 10 years
Machinery and equipment	2 to 16 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 29.

#### XIV. Lease Agreements

##### (I) Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amounts			
Land	\$ 1,348,371	\$ 1,404,822	\$ 1,433,340
Buildings	125,819	145,020	151,343
Transportation equipment	<u>1,760</u>	<u>2,410</u>	<u>2,551</u>
	<u>\$ 1,475,950</u>	<u>\$ 1,552,252</u>	<u>\$ 1,587,234</u>
	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021
Addition of right-of-use assets	<u>\$ 4,514</u>	<u>\$ -</u>	<u>\$ 7,302</u>
Depreciation charge of right-of-use assets			
Land	\$ 8,722	\$ 8,544	\$ 26,368
Buildings	8,166	11,162	24,499
Transportation equipment	<u>202</u>	<u>603</u>	<u>613</u>
	<u>\$ 17,090</u>	<u>\$ 20,309</u>	<u>\$ 51,480</u>
	January 1 to September 30, 2020		
			<u>\$ 62,302</u>

Except for the addition and depreciation expenses listed above, there was no significant sublease or impairment of the right-of-use assets of the Group from January 1 to September 30, 2021 and 2020.

The land leased by the Group in Wuxi, Mainland China has been sub-leased as an operating lease since 2014, and the relevant right-of-use assets are recorded as investment properties. Please refer to Note 15. The above-mentioned amount of right-of-use assets does not include right-of-use assets that meet the definition of investment properties.

(II) Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amounts of lease liabilities			
Current	<u>\$ 27,222</u>	<u>\$ 27,514</u>	<u>\$ 26,674</u>
Non-current	<u>\$ 98,036</u>	<u>\$ 113,528</u>	<u>\$ 118,662</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.67%-5.00%	1.67%-5.00%	1.67%-5.00%
Transportation equipment	3.85%	3.85%	3.85%

(III) Sublease

The sublease transactions of the Group are explained in Note 15.

(IV) Other lease information

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

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Expenses relating to short-term leases	<u>\$ 3,101</u>	<u>\$ 3,051</u>	<u>\$ 8,477</u>	<u>\$ 7,521</u>
Expenses relating to low-value asset leases asset	<u>\$ 3,485</u>	<u>\$ 5,233</u>	<u>\$ 13,456</u>	<u>\$ 16,382</u>
Total cash inflow (outflow) for leases			<u>(\$ 47,203)</u>	<u>(\$ 57,565)</u>

XV. Investment Properties

<u>January 1 to September 30, 2021</u>	<u>Balance at the Beginning of Period</u>	<u>Additions</u>	<u>Translation Adjustments</u>	<u>Balance at the End of the Period</u>
<u>Cost</u>				
Completed investment properties	\$ 172,482	\$ -	(\$ 2,788)	\$ 169,694
Right-of-use assets	<u>16,119</u>	<u>-</u>	<u>( 261)</u>	<u>15,858</u>
Total cost	<u>188,601</u>	<u>\$ -</u>	<u>(\$ 3,049)</u>	<u>185,552</u>
<u>Accumulated depreciation</u>				
Completed investment properties	38,112	\$ 4,223	(\$ 659)	41,676
Right-of-use assets	<u>794</u>	<u>296</u>	<u>( 16)</u>	<u>1,074</u>
Total accumulated depreciation	<u>38,906</u>	<u>\$ 4,519</u>	<u>(\$ 675)</u>	<u>42,750</u>
Carrying amount of investment properties	<u>\$ 149,695</u>			<u>\$ 142,802</u>
<u>January 1 to September 30, 2020</u>				
<u>Cost</u>				
Completed investment properties	\$ 169,819	\$ -	(\$ 963)	\$ 168,856
Right-of-use assets	<u>15,870</u>	<u>-</u>	<u>( 90)</u>	<u>15,780</u>
Total cost	<u>185,689</u>	<u>\$ -</u>	<u>(\$ 1,053)</u>	<u>184,636</u>
<u>Accumulated depreciation</u>				
Completed investment properties	31,945	\$ 4,127	(\$ 148)	35,924
Right-of-use assets	<u>391</u>	<u>289</u>	<u>-</u>	<u>680</u>
Total accumulated depreciation	<u>32,336</u>	<u>\$ 4,416</u>	<u>(\$ 148)</u>	<u>36,604</u>
Carrying amount of investment properties	<u>\$ 153,353</u>			<u>\$ 148,032</u>

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

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

The total amount of lease payments that the Group will receive in the future for leasing investment properties under operating leases is as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 16,629	\$ 16,907	\$ 16,490
Year 2	17,874	16,907	16,490
Year 3	19,120	18,807	17,724
Year 4	19,120	19,439	18,960
Year 5	9,560	19,439	18,960
More than 5 years	-	4,860	9,480
	<u>\$ 82,303</u>	<u>\$ 96,359</u>	<u>\$ 98,104</u>

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

Completed investment properties	20 years
Right-of-use assets	50 years

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

#### XVI. Goodwill

	January 1 to September 30, 2021	January 1 to September 30, 2020
<u>Cost</u>		
Balance at January 1	\$ 204,735	\$ 220,774
Effect of foreign currency exchange differences	( 4,155 )	( 5,022 )
Balance at September 30	<u>\$ 200,580</u>	<u>\$ 215,752</u>

#### XVII. Other Assets

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Tax overpayment for offset with future tax payable	\$ 360,335	\$ 458,446	\$ 255,749
Prepayments	114,834	71,750	39,055
Prepaid expenses	49,466	35,442	62,064
Others	31,715	109,252	179,622
	<u>\$ 556,350</u>	<u>\$ 674,890</u>	<u>\$ 536,490</u>
<u>Non-current</u>			
Refundable deposits	\$ 37,667	\$ 23,467	\$ 23,938
Others	29,951	26,133	20,574
	<u>\$ 67,618</u>	<u>\$ 49,600</u>	<u>\$ 44,512</u>

XVIII. Borrowings

(I) Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Line of credit borrowings	<u>\$ 4,754,986</u>	<u>\$ 3,981,840</u>	<u>\$ 6,280,825</u>
<u>Rate of interest per annum</u> (%)			
Line of credit borrowings	0.70-1.90	0.75-2.95	0.75-2.95

(II) Short term notes payable

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial paper payable	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ -</u>
Rate of interest per annum (%)	0.45	-	-

(III) Long-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Line of mortgage borrowings – from June 2022 to May 2024	\$ 376,790	\$ 1,377,951	\$ 1,562,493
Line of credit borrowings – from January 2022 to August 2026	<u>4,598,696</u>	<u>5,657,928</u>	<u>3,866,825</u>
	4,975,486	7,035,879	5,429,318
Less: Current portion	( <u>454,865</u> )	( <u>1,182,322</u> )	( <u>1,510,749</u> )
Long-term borrowings	<u>\$ 4,520,621</u>	<u>\$ 5,853,557</u>	<u>\$ 3,918,569</u>
<u>Rate of interest per annum</u> (%)			
Line of mortgage borrowings	2.10-2.39	1.79-2.39	0.74-1.54
Line of credit borrowings	0.70-1.63	0.74-1.75	1.09-2.45

Line of mortgage borrowings are secured by the mortgage of assets of the Group; please refer to Note 29.

The Corporation signed a syndicated loan of NT\$1.5 billion from financial institutions including Bank of Taiwan in July 2021 for the purpose of repaying loans from financial institutions and enriching the medium-term working capital. The validity period of the contract is 5 years. The credit line is divided into lines A and B: line A is a medium-term loan line of NT\$1.5 billion, and line B is NT\$900 million as the guarantee for the issuance of commercial promissory notes. The two lines share no more than the total credit line in

force at that time, and can revolve within the term of the credit contract. According to the provisions of the loan contract, the Corporation shall achieve the following in the annual consolidated financial statements during the loan period:

1. The current ratio [current assets ÷ current liabilities] shall not be less than 100%;
2. The debt ratio [(total liabilities - advance real estate receipts (classified as contract liabilities - current) )/ tangible net value] shall be less than or equal to 180%;
3. The Interest coverage ratio [profit before income tax plus interest expense, depreciation and amortization amount ÷ interest expense] shall be more than or equal to 4 times, and
4. The tangible net assets [total equity - intangible assets] shall not be less than NT\$6 billion.

In addition, in the duration of the contract, the Corporation commits not to dispose of important assets and rights and not to buy back its own shares or reduce capital, unless the written consent of most of the banks is obtained.

In order to repay the loans, support overseas investment and provide sufficient operation funds, Paiho Shih Holdings Corporation obtained a syndicated loan with a credit line of US\$220 million from KGI Commercial Bank and multiple financial institutions in July 2021. According to the provisions of the loan contract, Paiho Shih Holdings Corporation shall achieve the following in the annual consolidated financial statements during the loan period:

1. The current ratio [current assets ÷ current liabilities minus advance real estate receipts (classified as contract liabilities - current)] not less than 100%;
2. The debt ratio [total liabilities minus advance real estate receipts (classified as contract liabilities - current) ÷ tangible net assets] shall not be higher than 200%;
3. The interest coverage ratio [profit before income tax plus interest expense, depreciation and amortization amount ÷ interest expense] shall not be less than 3 times and;
4. The tangible net assets [total equity - intangible assets] shall not be less than NT\$3.5 billion.

Furthermore, Paiho Shih Holdings Corporation commits not to dispose of any material assets or rights and not to repurchase its stocks or reduce capital without the permissions of most of the creditor banks during the loan contract period.

XIX. Other Payables

	September 30, 2021	December 31, 2020	September 30, 2020
Payables for salaries and bonuses	\$ 806,884	\$ 868,365	\$ 796,698
Payables for purchases of building and equipment	52,227	89,258	100,825
Payables for compensation of employees and directors	99,803	85,208	71,895
Others	<u>458,957</u>	<u>532,767</u>	<u>479,980</u>
	<u>\$ 1,417,871</u>	<u>\$ 1,575,598</u>	<u>\$ 1,449,398</u>

XX. Retirement Benefit Plan

The pension expenses related to the defined benefit plan recognized from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2021 and 2020 are based on the pension cost rates under actuarial decision on December 31, 2020 and 2019. The amounts are NT\$4,471 thousand, NT\$4,611 thousand, NT\$13,411 thousand and NT\$13,836 thousand, respectively.

XXI. 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	After 1 Year	Total
<u>September 30, 2021</u>			
Asset			
Trade receivables	\$ 732	\$ -	\$ 732
Other receivables	4,297	-	4,297
Inventory – constructing	986,188	1,434,662	2,420,850
Other current assets	<u>76,456</u>	<u>-</u>	<u>76,456</u>
	<u>\$ 1,067,673</u>	<u>\$ 1,434,662</u>	<u>\$ 2,502,335</u>
Liabilities			
Trade payables	\$ 452,292	\$ -	\$ 452,292
Other payables	58,144	-	58,144
Contract liabilities	<u>237,531</u>	<u>-</u>	<u>237,531</u>
	<u>\$ 747,967</u>	<u>\$ -</u>	<u>\$ 747,967</u>
<u>December 31, 2020</u>			
Asset			
Other receivables	\$ 7,103	\$ -	\$ 7,103
Inventory – constructing	2,252,222	882,354	3,134,576
Other current assets	<u>183,234</u>	<u>-</u>	<u>183,234</u>
	<u>\$ 2,442,559</u>	<u>\$ 882,354</u>	<u>\$ 3,324,913</u>



	<u>Within 1 Year</u>	<u>After 1 Year</u>	<u>Total</u>
<u>December 31, 2020</u>			
Liabilities			
Trade payables	\$ 112,180	\$ -	\$ 112,180
Other payables	89,267	-	89,267
Contract liabilities	<u>3,238,327</u>	-	<u>3,238,327</u>
	<u>\$ 3,439,774</u>	<u>\$ -</u>	<u>\$ 3,439,774</u>
<u>September 30, 2020</u>			
Asset			
Other receivables	\$ 6,353	\$ -	\$ 6,353
Inventory – constructing	1,916,974	678,376	2,595,350
Other current assets	<u>241,394</u>	-	<u>241,394</u>
	<u>\$ 2,164,721</u>	<u>\$ 678,376</u>	<u>\$ 2,843,097</u>
Liabilities			
Trade payables	\$ 167,451	\$ -	\$ 167,451
Other payables	136,619	-	136,619
Contract liabilities	<u>2,416,102</u>	-	<u>2,416,102</u>
	<u>\$ 2,720,172</u>	<u>\$ -</u>	<u>\$ 2,720,172</u>

## XXII. Equity

### (I) Common stock

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Number of shares authorized (thousand shares)	<u>380,000</u>	<u>380,000</u>	<u>380,000</u>
Shares authorized	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
Number of shares issued and fully paid (thousand shares)	<u>297,964</u>	<u>297,964</u>	<u>297,964</u>
Shares issued	<u>\$ 2,979,639</u>	<u>\$ 2,979,639</u>	<u>\$ 2,979,639</u>

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

### (II) Capital surplus

The capital surplus which belongs to the premium of stock issuance, the difference between the actual price of the equity of the subsidiary acquired or disposed of and the book value, and donated assets can be used to make up for losses, and can also be used for cash distribution or share capital appropriation when the Corporation has no loss. For share capital appropriation, it is limited to a certain ratio of paid-in capital every year.

(III) Retained earnings and dividend policy

According to the earnings distribution policy of the Corporation's Articles of Incorporation, if there are earnings in the Corporation's annual final accounts, the Corporation shall first pay taxes to make up for the accumulated loss over the years, and 10% shall be allocated as the legal reserve, and a special reserve shall be allocated or reversed in accordance with the regulations or the competent authority's requirement. If there is still a surplus, the balance shall be added to the accumulated undistributed earnings of the previous year, and the board of directors shall draft a distribution proposal accordingly. When new shares are to be issued for it, the decision shall be submitted to the shareholders' meeting for a resolution before distribution. When all or part of the Corporation's dividends and bonuses, legally distributable legal reserve and capital surplus are distributed in cash, in accordance with Item 5, Article 240 of the Company Act, the board of directors is authorized to make a resolution in a board meeting attended by more than two-thirds of the directors, with the approval of more than half of the attending directors obtained; the resolution shall be reported to the shareholders' meeting.

Please refer to Note 24 (3) Remuneration of Employees and Directors for the distribution policy of remuneration for employees and directors which is stipulated in the Articles of Incorporation of the Corporation.

In addition, in accordance with the provisions of the Corporation's articles of association that the dividend policy shall be in line with the overall environment and the characteristics of the mature industry, with consideration of the impact of future expansion of operations, capital requirements and taxation on the Corporation and shareholders, the Corporation's dividend distribution will be adjusted according to its profitability to maintain a stable growth of earnings per share; the dividend distribution ratio shall be no less than 25% of the current year's after-tax earnings after making up for the previous year's losses, the allocation of legal reserve, and the deduction of the other undistributed earnings of the current year. The cash dividend shall not be less than 15% of the total dividends, and the rest shall be paid in stocks.

The legal reserve shall be allocated until the balance reaches the total paid-in share capital of the Corporation. The legal reserve can be used to make up for losses. When the Corporation has no losses, the portion of the legal reserve exceeding 25% of the total paid-in share capital can be allocated in cash in addition to being allocated to capital.

The appropriations of earnings for 2020 and 2019, respectively, were as follows:

	<u>2020</u>	<u>2019</u>
Legal reserve	<u>\$ 153,010</u>	<u>\$ 152,218</u>
Special reserve	<u>\$ 123,855</u>	<u>\$ 217,613</u>
Cash dividend	<u>\$ 893,892</u>	<u>\$ 893,892</u>
Cash dividend per share (NT\$)	\$ 3	\$ 3

The above-mentioned cash dividends were distributed on March 24, 2021 and March 19, 2020, respectively under board resolutions, and the remaining earnings distribution items for 2019 were also resolved at the general shareholders' meeting on June 10, 2020. In response to the "Measures for Postponing Shareholders' Meetings of Public Offering Companies in Response to the Pandemic" announced by the FSC, the Corporation stopped convening the original shareholders' meeting and held it on July 8, 2021 instead.

(IV) Special reserve

The special reserve allocated for the conversion difference of the financial statements of foreign operating agencies (including subsidiaries) has been reversed based on the disposal ratio and due to the liquidation of the subsidiaries. When distributing the earnings, the difference between the net deduction of other shareholders' equity and the special reserve stated in the first application of IFRSs should be added to the special reserve at the end of the reporting period. If there is a subsequent reversal of the net deduction of other shareholders' equity, the special reserve may be reverted for distribution of earnings.

XXIII. Sales and Cost

	<u>July 1, to September 30, 2021</u>	<u>July 1, to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
Revenue from contracts with customers				
Revenue from sale of goods	\$ 3,273,444	\$ 3,329,646	\$ 10,839,469	\$ 9,283,234
Revenue from sale of real estate	<u>207,404</u>	<u>70,907</u>	<u>3,322,672</u>	<u>1,710,651</u>
	<u>\$ 3,480,848</u>	<u>\$ 3,400,553</u>	<u>\$ 14,162,141</u>	<u>\$ 10,993,885</u>
Operating cost				
Cost of goods sold	\$ 2,140,527	\$ 2,146,567	\$ 6,688,074	\$ 5,948,157
Cost of real estate sold	<u>145,065</u>	<u>45,592</u>	<u>2,049,167</u>	<u>1,034,357</u>
	<u>\$ 2,285,592</u>	<u>\$ 2,192,159</u>	<u>\$ 8,737,241</u>	<u>\$ 6,982,514</u>

Contract Balances

	September 30, 2021	December 31, 2020	September 30, 2020
Contract liabilities – current			
Sales of real estate	<u>\$ 237,531</u>	<u>\$ 3,238,327</u>	<u>\$ 2,416,102</u>

XXIV. Net Profit from Continuing Operations

(I) Interest expense

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Interest on bank borrowings	\$ 35,498	\$ 38,924	\$ 102,465	\$ 152,102
Interest on lease liabilities	<u>1,196</u>	<u>1,445</u>	<u>3,780</u>	<u>4,610</u>
	<u>\$ 36,694</u>	<u>\$ 40,369</u>	<u>\$ 106,245</u>	<u>\$ 156,712</u>

Information about capitalized interest:

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Capitalized interest amount	\$ 4,791	\$ 8,711	\$ 15,178	\$ 34,474
Capitalization rates (%)	1.79-2.22	1.27-3.42	1.79-2.22	1.27-3.42

(II) Employee benefit expenses, depreciation and amortization expenses

By Nature	Attributable to Operating Costs	Attributable to Operating Expenses and Non-operating Expenses	Total
<u>July 1 to September 30, 2021</u>			
Short-term employee benefits	\$ 472,316	\$ 400,647	\$ 872,963
Post-employment benefits			
Defined contribution plans	31,505	14,861	46,366
Defined benefit plans (Note 20)	344	4,127	4,471
Other employee benefits	41,802	17,282	59,084
Depreciation expenses	261,255	58,496	319,751
Amortization expenses	31	225	256

By Nature	Attributable to Operating Costs	Attributable to Operating Expenses and Non-operating Expenses	Total
<u>July 1 to September 30, 2020</u>			
Short-term employee benefits	\$ 429,607	\$ 364,085	\$ 793,692
Post-employment benefits			
Defined contribution plans	26,711	13,505	40,216
Defined benefit plans (Note 20)	420	4,191	4,611
Other employee benefits	32,263	19,115	51,378
Depreciation expenses	253,099	65,607	318,706
Amortization expenses	-	714	714
<u>January 1 to September 30, 2021</u>			
Short-term employee benefits	1,435,032	1,259,147	2,694,179
Post-employment benefits			
Defined contribution plans	91,277	46,292	137,569
Defined benefit plans (Note 20)	995	12,416	13,411
Other employee benefits	116,424	49,348	165,772
Depreciation expenses	774,842	180,063	954,905
Amortization expenses	62	508	570
<u>January 1 to September 30, 2020</u>			
Short-term employee benefits	1,348,674	1,081,406	2,430,080
Post-employment benefits			
Defined contribution plans	72,804	34,193	106,997
Defined benefit plans (Note 20)	1,279	12,557	13,836
Other employee benefits	98,642	52,633	151,275
Depreciation expenses	751,319	202,701	954,020
Amortization expenses	-	2,352	2,352

(III) Employees' compensation and remuneration of directors

In accordance with the provisions of the Articles of Incorporation, the Corporation provides employees and directors with no less than 1% and no more than 2% of the pre-tax gain before deduction of the remuneration of employees and directors in the current year. The remuneration of employees and directors estimated from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2021 and 2020 are as follows:

	<u>July 1 to September 30, 2021</u>		<u>July 1 to September 30, 2020</u>	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	2.70%	\$ 11,321	1.59%	\$ 6,692
Remuneration of directors	1.94%	8,135	1.03%	4,313

	January 1 to September 30, 2021		January 1 to September 30, 2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1.34%	\$ 27,629	1.46%	\$ 20,075
Remuneration of directors	0.87%	17,809	0.94%	12,940

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 Corporation held its board meetings on March 24, 2021 and March 19, 2020. The actual amount of remuneration of employees and directors was different from the amount recognized in the annual consolidated financial report, and the differences were adjusted to the profit and loss for 2021 and 2020, respectively.

	2020		2019	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amount resolved in the board of directors' meetings	<u>\$ 27,288</u>	<u>\$ 17,589</u>	<u>\$ 26,767</u>	<u>\$ 17,254</u>
Amounts recognized in the financial statements	<u>\$ 27,367</u>	<u>\$ 17,654</u>	<u>\$ 27,110</u>	<u>\$ 17,475</u>

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

(IV) Gains or losses on foreign currency exchange

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Foreign exchange gains	\$ 37,003	\$ 16,955	\$ 104,457	\$ 99,100
Foreign exchange losses	( <u>19,568</u> )	( <u>46,646</u> )	( <u>135,594</u> )	( <u>138,857</u> )
Gain (loss)	<u>\$ 17,435</u>	( <u>\$ 29,691</u> )	( <u>\$ 31,137</u> )	( <u>\$ 39,757</u> )

XXV. Income Taxes Related to Continuing Operations

(I) Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss:

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
Current tax				
In respect of the current period	\$ 104,773	\$ 99,397	\$ 644,503	\$ 461,651
Income tax on unappropriated earnings	( 66)	( 712)	9,520	8,557
Adjustments for prior years	( 17,075)	( 2,479)	( 84,647)	( 6,441)
Land value increment tax	<u>8,469</u>	<u>1,447</u>	<u>184,259</u>	<u>34,856</u>
	96,101	97,653	753,635	498,623
Deferred tax				
In respect of the current period	40,703	70,921	372,670	192,668
Tax rate change	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,252</u>
Income tax expense recognized in profit or loss	<u>\$ 136,804</u>	<u>\$ 168,574</u>	<u>\$1,126,305</u>	<u>\$ 692,543</u>

(II) Income tax recognized in other comprehensive income

	July 1 to September 30, 2021	July 1 to September 30, 2020	January 1 to September 30, 2021	January 1 to September 30, 2020
<u>Deferred tax</u>				
In respect of the current period				
Difference from conversion of financial statements of foreign operations	<u>(\$ 2,896)</u>	<u>\$ 3,959</u>	<u>(\$ 35,950)</u>	<u>(\$ 33,070)</u>

(III) Income tax verification

The Corporation's tax filing as of the end of 2018 and Spring Rich Limited's tax filing as of the end of 2019 have been verified by the tax collection agency.

XXVI. Earnings per Share

	Net Profit Attributable to Owners of the Corporation (Numerator)	Number of Shares (Denominator) (Thousand Shares)	Earnings per Share (NT\$)
<u>July 1 to September 30, 2021</u>			
Basic earnings per share			
Net Profit Attributable to Owners of the Corporation	\$ 348,706	297,964	<u>\$ 1.17</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>340</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 348,706</u>	<u>298,304</u>	<u>\$ 1.17</u>
<u>July 1 to September 30, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 364,422	297,964	<u>\$ 1.22</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>297</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 364,422</u>	<u>298,261</u>	<u>\$ 1.22</u>
<u>January 1 to September 30, 2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,617,277	297,964	<u>\$ 5.43</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>442</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,617,277</u>	<u>298,406</u>	<u>\$ 5.42</u>



	Net Profit Attributable to Owners of the Corporation (Numerator)	Number of Shares (Denominator) (Thousand Shares)	Earnings per Share (NT\$)
<u>January 1 to September 30, 2020</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,142,994	297,964	<u>\$ 3.84</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>447</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,142,994</u>	<u>298,411</u>	<u>\$ 3.83</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.

## XXVII. Financial Instruments

### (I) Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at other than fair value are close to their fair value or their fair value cannot be measured reliably.

(II) Fair value information – financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Mandatorily classified as at</u>			
<u>FVTPL</u>			
Structured deposits	\$ <u>          -</u>	\$ <u>  68,708</u>	\$ <u>          -</u>
 <u>Financial assets at FVTOCI</u>			
Investments in equity instruments			
–Foreign unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
 <u>December 31, 2020</u>			
<u>Mandatorily classified as at</u>			
<u>FVTPL</u>			
Structured deposits	\$ <u>          -</u>	\$ <u> 644,182</u>	\$ <u>          -</u>
 <u>Financial assets at FVTOCI</u>			
Investments in equity instruments			
–Foreign unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
 <u>September 30, 2020</u>			
<u>Mandatorily classified as at</u>			
<u>FVTPL</u>			
Financial products	\$ <u>          -</u>	\$ <u>1,173,798</u>	\$ <u>          -</u>
 <u>Financial assets at FVTOCI</u>			
Investments in equity instruments			
–Foreign unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  29,503</u>

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2021.

2 Adjustments of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income – equity instruments

	<u>January 1 to September 30, 2020</u>
Balance at the beginning of period	\$ 30,395
Foreign currency exchange difference	( <u>892</u> )
Balance at the end of the period	<u>\$ 29,503</u>

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

<u>Financial Instrument Category</u>	<u>Valuation Techniques and Inputs</u>
Structured deposits	Discounted cash flow: Future cash flows are estimated based on contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(III) Types of financial instruments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 68,708	\$ 644,182	\$ 1,173,798
Financial assets at amortized cost (Note 1)	8,889,300	9,891,518	8,944,281
Financial assets at FVTOCI –Investments in equity instruments	-	-	29,503
<u>Financial Liabilities</u>			
Financial liabilities at amortized cost (Note 2)	13,138,226	13,298,013	13,895,482

Note 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.

Note 2: The balance includes financial liabilities at amortized cost, which comprise short-term borrowings, short-term notes payable, notes payable, trade payables, other payables and long-term borrowings and guarantee deposits received.

(IV) Financial risk management objective and policies

The Group's major financial instruments include deposits, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates 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.

(1) 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 32.

Sensitivity analysis

The Group was mainly exposed to the currency USD, RMB, VND 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 number below indicates an 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 on Profit and Loss	
	January 1 to September 30, 2021	January 1 to September 30, 2020
USD	\$ 10,017	\$ 12,417
RMB	821	539
VND	35	977
HKD	204	346

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

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

## (2) 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.

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Short-term borrowings	\$ 1,643,610	\$1,039,856	\$1,960,930
Short-term notes payable	900,000	-	-
Lease liabilities	125,258	141,042	145,336
Cash flow interest rate risk			
Short-term borrowings	3,111,376	2,941,984	4,319,895
Long-term borrowings (Including current portion)	4,975,486	7,035,879	5,429,318

### 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 nine months ended September 30, 2021 and 2020 would have decreased/increased by NT\$15,163 thousand and NT\$18,280 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 September 30, 2021, December 31, and September 30, 2020, the Group had available unutilized bank loan facilities of NT\$11,238,714 thousand, NT\$8,320,740 thousand and NT\$10,179,150 thousand, respectively.

Liquidity and interest rate risk table 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.

	Within 3 Months	3 Months to 1 Year	More than 1 Year
<u>September 30, 2021</u>			
No interest-bearing	\$ 1,832,273	\$ 655,202	\$ 20,279
Lease liabilities	8,830	22,470	110,476
Short-term borrowings	2,197,520	2,557,466	-
Short term notes payable	900,000	-	-
Long-term borrowings	60,949	393,916	4,520,621
	\$ 4,999,572	\$ 3,629,054	\$ 4,651,376
<u>December 31, 2020</u>			
No interest-bearing	\$ 1,836,871	\$ 426,340	\$ 17,083
Lease liabilities	8,004	24,400	128,919
Short-term borrowings	1,751,856	2,229,984	-
Long-term borrowings	166,473	1,015,849	5,853,557
	\$ 3,763,204	\$ 3,696,573	\$ 5,999,559
<u>September 30, 2020</u>			
No interest-bearing	\$ 1,600,685	\$ 566,528	\$ 18,126
Lease liabilities	8,405	23,374	135,039
Short-term borrowings	3,696,745	2,584,080	-
Long-term borrowings	210,865	1,299,884	3,918,569
	\$ 5,516,700	\$ 4,473,866	\$ 4,071,734

Additional information about the maturity analysis for lease liabilities:

	Less Than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More Than 20 Years
<u>September 30, 2021</u>						
Lease liabilities	<u>\$31,300</u>	<u>\$74,301</u>	<u>\$16,735</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 9,840</u>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$32,404</u>	<u>\$84,549</u>	<u>\$24,210</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$10,560</u>
<u>September 30, 2020</u>						
Lease liabilities	<u>\$31,779</u>	<u>\$88,461</u>	<u>\$26,178</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$10,800</u>

XXVIII. Transactions with Related Parties

Balances and transactions between the Corporation and its subsidiaries (which are related parties of the Corporation) have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed below.

(I) Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
A-Wei Cheng Chen	Other related parties
Cheng-Tsung Cheng	Other related parties
Ming-Chang Chiang	Other related parties
Huan-Tung Tseng	Other related parties
Mei-Ting Yang	Other related parties
Kuo-Chih Lai	Other related parties
Po-Hsun Huang	Other related parties

(II) Sales of goods

<u>Accounting Item Posted</u>	<u>Category/Name of Related Party</u>	<u>July 1 to September 30, 2021</u>	<u>July 1 to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
Sales	Other related parties	<u>\$ -</u>	<u>\$ 13,233</u>	<u>\$ -</u>	<u>\$ 13,233</u>

The sales 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.



(III) Lease agreements

<u>Accounting Item Posted</u>	<u>Category/Name of Related Party</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Lease liabilities	Other related parties	<u>\$ 22,775</u>	<u>\$ 23,206</u>	<u>\$ 23,349</u>
<u>Category/Name of Related Party</u>	<u>July 1 to September 30, 2021</u>	<u>July 1 to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
<u>Interest expense</u>				
Other related parties	<u>\$ 96</u>	<u>\$ 98</u>	<u>\$ 289</u>	<u>\$ 296</u>
<u>Lease expenses</u> <u>(included in cost</u> <u>of goods sold and</u> <u>operating</u> <u>expense)</u>				
Other related parties	<u>\$ 446</u>	<u>\$ 499</u>	<u>\$ 1,445</u>	<u>\$ 1,101</u>

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

(IV) Compensation of key management personnel

	<u>July 1 to September 30, 2021</u>	<u>July 1 to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
Short-term employee benefits	<u>\$ 40,661</u>	<u>\$ 37,964</u>	<u>\$ 118,275</u>	<u>\$ 99,834</u>
Post-employment benefits	<u>118</u>	<u>148</u>	<u>348</u>	<u>351</u>
	<u>\$ 40,779</u>	<u>\$ 38,112</u>	<u>\$ 118,623</u>	<u>\$ 100,185</u>

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

XXIX. Assets Pledged as Collateral or for Security

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

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at amortized cost	\$ 12,253	\$ 16,236	\$ 16,289
Property, plant and equipment	<u>590,746</u>	<u>841,768</u>	<u>860,469</u>
	<u>\$ 602,999</u>	<u>\$ 858,004</u>	<u>\$ 876,758</u>

XXX. Significant Contingent Liabilities and Unrecognized Commitments

Except as mentioned in other notes, the significant commitments and contingencies of the Group on the balance sheet date are as follows:

(I) Unrecognized contractual commitments of the Group

	September 30, 2021	December 31, 2020	September 30, 2020
Acquisition of property, plant and equipment	<u>\$ 664,488</u>	<u>\$ 537,454</u>	<u>\$ 371,216</u>

(II) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had signed but not yet paid for construction contracts for approximately \$1,062,772 thousand, \$1,323,104 thousand and \$1,681,682 thousand, respectively.

(III) As of September 30, 2021, the Group had signed contracts of presold real estate. Information is set out below.

<u>Construction Project Name</u>	<u>Total Amount (Including Tax)</u>	<u>Amount Received</u>
Paiho International Mansion	<u>\$ 515,274</u>	<u>\$ 237,531</u>

(IV) The Corporation signed a 10-year technology sales contract with a non-related party in July 2008, and the Corporation obtained the expertise in the production of injection molded Velcro. According to the contract, the Corporation is required to pay a premium of US\$281 thousand each year, and an additional premium will be paid according to a certain percentage of the sales volume at the end of each year. The contract will be extended for another 10 years after the expiration in 2018.

(V) The Shareholders' Meeting of the Corporation resolved in a special session dated September 2, 2010 for entering into the "Comprehensive Agreement on the Use of

Trademarks and Patents, Sale Region Partitioning, and Related-Party Transactions” between the Corporation and Paiho Shih Holdings Corporation. Paiho Shih Holdings Corporation promised to purchase the equity shares issued by Paiho Europe, S.A. and the Paiho North America Corporation at fair value after listing at TWSE for trading or through its subsidiaries at the right time under the appraisal of professional institutions. In supporting the application of Paiho Shih Holdings Corporation for listing at TWSE, the Shareholders’ Meeting of the Corporation resolved in regular session dated April 21, 2011 to amend the content of the above agreement in the aspects of the partition of sale regions and restriction of competition between the contracting parties. Affected by the poor operation environment, the Corporation has shut down its operation in Paiho Europe, S.A. As a result, Paiho Shih Holdings Corporation wrote to TWSE on February 27, 2014 informing that the subject company of the previous undertaking of “incorporating Paiho Europe, S.A. to the operation system” is no longer in existence and the aforementioned undertaking cannot be accomplished.

- (VI) 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.

#### XXXI. Significant Matters After the Reporting Period

On October 27, 2021, the Corporation’s extraordinary general meeting approved its subsidiary, Wuxi Paiho Textile Co., Limited, to make its first public issue of RMB Common Stock shares and apply for listing on the China Stock Exchange.

XXXII. 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:

Financial Assets	September 30, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollar	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Monetary Items</u>						
USD	\$ 36,869	27.85	\$1,026,802	\$ 35,681	28.48	\$1,016,195
VND	97,223,515	0.00121	117,640	186,368,069	0.00111	206,869
RMB	19,072	4.305	82,105	9,476	4.377	41,476
HKD	6,901	3.576	24,678	10,733	3.673	39,422
Financial Liabilities						
<u>Monetary Items</u>						
USD	903	27.85	25,149	679	28.48	19,338
VND	94,354,249	0.00121	114,169	116,549,314	0.00111	129,370
HKD	1,204	3.576	4,306	1,491	3.673	5,476

Financial Assets	September 30, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Monetary Items</u>			
USD	\$ 42,829	29.10	\$1,246,324
VND	74,959,802	0.00141	105,693
RMB	12,629	4.269	53,913
HKD	9,607	3.754	36,065
Financial Liabilities			
<u>Monetary Items</u>			
USD	158	29.10	4,598
VND	5,672,555	0.00141	7,998
HKD	391	3.754	1,468

The Group mainly bears the foreign currency exchange rate risk for USD, RMB, VND and HKD assets. The following information is summarized and expressed in the functional currencies of the entities holding foreign currencies. The exchange rates disclosed are the exchange rates of converting these functional currencies into the expressing currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	July 1 to September 30, 2021		July 1 to September 30, 2020	
	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
NTD	1.000	\$ 3,521	1.000	(\$ 11,966)
USD	27.858	9,820	29.450	( 3,110)
RMB	4.305	7,781	4.257	( 14,745)
HKD	3.581	( 3,687)	3.799	130
		<u>\$ 17,435</u>		<u>(\$ 29,691)</u>

Foreign Currencies	January 1 to September 30, 2021		January 1 to September 30, 2020	
	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
NTD	1.000	(\$ 27,656)	1.000	(\$ 15,675)
USD	28.067	( 4,637)	29.817	( 13,539)
RMB	4.337	8,656	4.260	( 9,516)
HKD	3.613	( 7,500)	3.843	( 1,027)
		<u>(\$ 31,137)</u>		<u>(\$ 39,757)</u>

### XXXIII. Separately Disclosed Items

#### (I) Major transactions and (II) Information about investees:

1. Financing provided to others: See Table 1.
2. Endorsements/guarantees provided: See Table 2.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): See Table 3.
4. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: See Table 4.
5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: See Table 5.
6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 7.
9. Trading in derivative instruments: None.
10. Others: Intercompany relationships and significant intercompany transactions: See Table 8.
11. Information on investees: See Table 9.

(III) Information on Investment 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: See Table 10.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: See Table 8.
  - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: See Tables 6 and 8.
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purpose: See Table 2.
  - (5) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds: See Tables 1, 7 and 8.
  - (6) 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: See Table 8.

- (IV) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 11.

#### XXXIV. Segment Information

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments are Production, Powder Coating and Construction.

##### (I) Segment revenue and results

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

	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2021</u>	<u>January 1 to September 30, 2020</u>
Production	\$10,704,163	\$9,065,508	\$ 2,108,779	\$1,504,070
Powder Coating	135,306	217,726	26,601	2,353
Construction	<u>3,322,672</u>	<u>1,710,651</u>	<u>1,147,108</u>	<u>587,902</u>
Total from continuing operations	<u>\$14,162,141</u>	<u>\$10,993,885</u>	3,282,488	2,094,325
Interest income			74,385	58,153
Other income and benefits			78,361	84,854
Net foreign currency exchange loss			( 31,137)	( 39,757)
Interest expense			( 106,245)	( 156,712)
Other expenses and losses			( <u>30,408</u> )	( <u>23,468</u> )
Profit before income tax			<u>\$3,267,444</u>	<u>\$2,017,395</u>

Segment profit represented the profit before tax earned by each segment without interest income, subsidy revenue, share of profit of associates accounted for using the equity method, net foreign exchange gain (loss), interest expense and income tax expense. This measured amount was reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

##### (II) 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.

Taiwan Paiho Limited and subsidiaries  
Financing Provided to Others  
January 1 to September 30, 2021

Table 1

In Thousand New Taiwan Dollars or Foreign Currency

Number	Lender	Borrower	Financial Statement Account	Related Parties or Not	Maximum Balance of the Current Period (Notes 4 and 6)	Ending balance (Notes 5 and 6)	Actual Borrowing Amount (Notes 5 and 8)	Interest Rate Range	Nature of Financing (Note 7)	Business Transaction Amount	Reason for Necessary Short-Term Financing (Note 7)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2 and 3)	Aggregate Financing Limit (Notes 1, 2 and 3)
													Name	Value		
1	Paiho Int'L Limited	Vietnam Paiho Limited	Receivable from related parties	Y	\$ 469,598 (USD 16,042)	\$ 446,761 (USD 16,042)	\$ 279,661 (USD 10,042)	1.3%-3%	Necessary for long- and short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 7,128,062	\$ 7,128,062
		PT. Paiho Indonesia	Receivable from related parties	Y	91,305 (USD 3,000)	83,550 (USD 3,000)	83,550 (USD 3,000)	1.3%-2.25%	Long-term financing needed	-	Operating capital	-	-	-	7,128,062	7,128,062
2	Wuxi Paiho Textile Co., Limited	Wuxi Paiwei Biotechnology Co. Ltd.	Receivable from related parties	Y	215,970 (RMB 50,000)	172,200 (RMB 40,000)	172,200 (RMB 40,000)	4.35%	Necessary for short-term financing needed	-	Operating capital	-	-	-	1,422,950	2,845,899
3	Paiho Shih Holdings Corporation	Hon Shin Corp.	Receivable from related parties	Y	142,550 (USD 5,000)	-	-	3-month USD Libor rate plus 1.28%	Necessary for short-term financing needed	-	Operating capital	-	-	-	2,409,422	2,409,422
		Vietnam Paihong Limited Company	Receivable from related parties	Y	1,603,863 (USD 55,500)	779,800 (USD 28,000)	779,800 (USD 28,000)	3-month USD Libor rate plus 1.28%	Necessary for short-term financing needed	-	Operating capital	-	-	-	2,409,422	2,409,422
4	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivable from related parties	Y	674,500 (USD 22,338)	173,366 (USD 6,225)	173,366 (USD 6,225)	3-month USD Libor rate plus 1.28% and 2.25%	Necessary for long- and short-term financing	-	Operating capital	-	-	-	958,154	958,154

Note 1: For borrowers with paid-in capital directly or indirectly owned over 50% by the Corporation and Paiho Shih Holdings Corporation, the individual amount for lending to a borrower shall not exceed the 20% of the borrowers' net worth. The total amount for lending shall not exceed 40% of the net worth of lender.

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

Note 3: For borrowers whose voting shares are 100% owned, directly or indirectly, by the Corporation and Paiho Shih Holdings Corporation, the individual and total amount of lending to a borrower shall not exceed the lender's net worth.

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.

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

Note 7: The restriction that the term of each loan for funding should not exceed one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Corporation and Paiho Shih Holdings Corporation holds, directly or indirectly, 100% of the voting shares.

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



Taiwan Paiho Limited and subsidiaries  
Endorsements/Guarantees Provided  
January 1 to September 30, 2021

Table 2

In Thousand New Taiwan Dollars or Foreign Currency

Number	Name of Endorser/ Guarantor	Endorsee/Guaranteed Party		Limit of Endorsement/ Guarantee for a Single Enterprise (Note 2)	Highest Endorsement Guarantee Balance for the Current Period (Note 4)	Endorsement/ Guarantee Balance at the End of the Period (Note 5)	Actual Borrowing Amount (Note 5)	Amount of Endorsement/ Guarantee Secured by Assets	Ratio of Accumulated Endorsement/ Guarantee Amount to Net Value in the Latest Financial Statement	Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee by the Parent Company for the Subsidiary	Endorsement/ Guarantee by the Subsidiary for the Parent Company	Endorsement/ Guarantee for Companies in Mainland China	
		Company Name	Relationship											
0	The Corporation	Paiho Int'L Limited	(Note 1)	\$ 10,051,595	\$ 172,365 (USD 6,000)	\$ 83,550 (USD 3,000)	\$ -	\$ -	0.83%	\$ 15,077,393	Y	—	—	
		Zhong Yuan Xing Ye Company Ltd.	(Note 1)	10,051,595	115,655 (USD 4,000)	83,550 (USD 3,000)	-	-	0.83%	15,077,393	Y	—	—	
		PT Paiho Indonesia	(Note 1)	10,051,595	2,440,465 (USD 85,000)	1,838,100 (USD 66,000)	930,190 (USD 33,400)	-	-	18.29%	15,077,393	Y	—	—
1	Paiho Shih Holdings Corporation	Hon Shin Corp.	(Note 1)	6,023,555	3,232,955 (USD 113,000)	2,395,100 (USD 86,000)	515,225 (USD 18,500)	-	-	39.76%	9,035,333	—	—	—
		Vietnam Paihong Limited Company	(Note 1)	6,023,555	3,984,536 (USD 139,050)	3,712,405 (USD 133,300)	2,442,140 (USD 87,689)	-	-	61.63%	9,035,333	—	—	—
2	Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 1)	958,154	60,160 (USD 2,000)	-	-	-	-	1,437,231	—	—	—	

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, Paiho Shih Holdings Corporation and Hon Shin Corp., 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, Paiho Shih Holdings Corporation and Hon Shin Corp.

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.

## Taiwan Paiho Limited and subsidiaries

## Marketable Securities Held

September 30, 2021

Table 3

In Thousand New Taiwan Dollars or Foreign Currency

Securities Holding Company	Type and Name of Marketable Securities	Relationship with Securities Issuer	Financial Statement Account	End of Period				Remark
				Number of Shares	Carrying Amount (Notes 1 and 2)	Shareholding Ratio	Fair Value (Notes 1 and 2)	
Paiho Holdings Limited	<u>Equity</u> Hong Kong Leader Elastic Limited	—	Financial assets at fair value through other comprehensive income – non-current	7,500,000	\$ -	14.29%	\$ -	
China Star International Limited	<u>Financial products</u> Fubon Bank (China) – The RMB Structured deposit of YUE-SHANG-YING (capital guaranteed)	—	Financial assets at fair value through profit or loss – current	-	68,708 (RMB 16,000)	-	68,708 (RMB 16,000)	
Dongguan Paiho Textile Limited	<u>Financial products</u> Fubon Bank (China) – The RMB Structured deposit of YUE-SHANG-YING (capital guaranteed)	—	Financial assets at fair value through profit or loss – current	-	-	-	-	

Note 1: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 2: Please refer to Note 27 for fair value information.

Taiwan Paiho Limited and subsidiaries  
 Marketable Securities Acquired or Disposed of Costs or Prices of at Least NT\$300 Million or 20% of the Paid-in Capital  
 January 1 to September 30, 2021

Table 4

In Thousand New Taiwan Dollars or Foreign Currency

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note 2)	Number of Shares	Amount	Number of Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Number of Shares	Amount
Paiho Shih Holdings Corporation	Stock	Investments accounted for using equity method	Hon Shin Corp.	Subsidiaries	95,000,000	\$ 1,094,697 (Note 2)	35,000,000	\$ 973,350	-	\$ -	\$ -	\$ -	130,000,000	\$ 1,793,814 (Notes 2 and 3)
Hon Shin Corp.	Equity	Investments accounted for using equity method	Vietnam Paihong Limited Company	Subsidiaries	-	1,340,708 (Note 2)	-	973,350	-	-	-	-	-	2,062,842 (Notes 2 and 3)
Wuxi Paiho Textile Co., Limited	<u>Financial products</u> Fubon Bank (China) – The RMB Structured deposit of YUE-SHANG-YING (capital guaranteed)	Financial assets at fair value through profit or loss – current	—	—	-	-	-	932,264 (RMB 216,550)	-	932,264 (RMB 216,550)	932,264 (RMB 216,550)	-	-	-
Dongguan Paihong Industry Co., Ltd.	<u>Financial products</u> Bank Sino Pac (China) - The RMB Structured deposit (capital guaranteed)	Financial assets at fair value through profit or loss – current	—	—	-	193,728 (RMB 45,000)	-	187,357 (RMB 43,520)	-	381,085 (RMB 88,520)	381,085 (RMB 88,520)	-	-	-

Note 1: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 2: The ending balance included investment income or loss from Investments accounted for using equity method and exchange differences on translating foreign operations.

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

Taiwan Paiho Limited and subsidiaries  
Acquisition of Individual Real Estate at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital  
January 1 to September 30, 2021

Table 5

In Thousands of Foreign Currency

Buyer	Property	Event Date	Transaction Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Wuxi Paihong Real Estate Co., Ltd.	Construction in progress	September 8, 2021	RMB 90,000	As of September 30, 2021, RMB 9,000 has been paid	China Construction Dongfang Decoration Co., Ltd.	—	—	—	—	\$ -	Refer to market price and set out by mutual agreement	Operating purpose	—

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

Taiwan Paiho Limited and subsidiaries  
Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital  
January 1 to September 30, 2021

Table 6

In Thousand New Taiwan Dollars or Foreign Currency

Buyer/Seller	Related Party (Note 2)	Relationship	Transaction Situation				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/Sale	Amount (Note 2)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% to Total
The Corporation	Vietnam Paiho Limited	(Note 1)	(Sales)	\$ 348,627	( 11%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	\$ 32,927	5%
	Dongguan Paihong Industry Co., Ltd.	(Note 1)	(Sales)	149,290	( 5%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	37,701	5%
	Wuxi Paiho Textile Co., Limited	(Note 1)	(Sales)	148,135	( 5%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	43,209	6%
Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	(Note 1)	(Sales)	152,909 (USD 5,448)	(100%)	Payment to be received in approximately 3 months	At cost plus a certain percentage or at market price	About 3 months	38,628 (USD 1,387)	100%
Wuxi Paiho Textile Co., Limited	Dongguan Paihong Industry Co., Ltd.	(Note 1)	(Sales)	158,086 (RMB 36,448)	( 9%)	Payment to be received in approximately 3 months	At market price	About 3 months	80,529 (RMB 18,706)	14%
Vietnam Paihong Limited Company	Hon Shin Corp.	(Note 1)	(Sales)	318,836 (USD 11,360)	( 73%)	Payment to be received in approximately 3 months	At market price	About 3 months	82,364 (USD 2,957)	86%

Note 1: Refer to Note 12 of the consolidated financial statements.

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

Taiwan Paiho Limited and subsidiaries  
Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital  
September 30, 2021

Table 7

In Thousand New Taiwan Dollars or Foreign Currency

Company Name	Related Party (Note 3)	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Paiho Int'LLimited	Vietnam Paiho Limited	(Note 2)	\$ 279,661 (USD 10,042 )	-	\$ -	—	\$ 16,710 (USD 600)	\$ -
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	(Note 2)	780,568 (USD 28,028 )	-	-	—	- (USD -)	-
Wuxi Paiho Textile Co., Limited	Wuxi Paiwei Biotechnology Co. Ltd.	(Note 2)	177,492 (RMB 41,229 )	-	-	—	2,307 (RMB 536)	-
Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 2)	173,763 (USD 6,239 )	5.70	-	—	10,750 (USD 386)	-

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

Note 2: Refer to Note 12 of the consolidated financial statements.

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

Taiwan Paiho Limited and subsidiaries  
Intercompany Relationships and Significant Transactions  
January 1 to September 30, 2021

Table 8

In Thousand New Taiwan Dollars or Foreign Currency

Number	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	Percentage of Consolidated Total Revenue or Total Assets (%)
0	The Corporation	Vietnam Paiho Limited	(1)	Sales	\$ 348,627	About 3 months	2
		Dongguan Paihong Industry Co., Ltd.	(1)	Sales	149,290	About 3 months	1
		Wuxi Paiho Textile Co., Limited	(1)	Sales	148,135	About 3 months	1
1	Paiho Int'L Limited	Vietnam Paiho Limited	(1)	Receivables - related parties	USD 10,042	—	1
2	Wuxi Paiho Textile Co., Limited	Wuxi Paiwei Biotechnology Co. Ltd.	(1)	Receivables - related parties	RMB 40,000	—	1
		Dongguan Paihong Industry Co., Ltd.	(1)	Sales	RMB 39,535	About 3 months	1
3	Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	(3)	Sales	USD 5,448	About 3 months	1
4	Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	(1)	Receivables - related parties	USD 28,000	—	3
5	Hon Shin Corp.	Vietnam Paihong Limited Company	(1)	Receivables - related parties	USD 6,225	—	1
		Vietnam Paihong Limited Company	(1)	Cost of goods sold	USD 11,360	About 3 months	2

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.

## Taiwan Paiho Limited and subsidiaries

## Information on Investees

January 1 to September 30, 2021

Table 9

In Thousand New Taiwan Dollars or Foreign Currency

Investee	Name of Investee (Note 3)	Location	Main businesses and Products	Original Investment Amount		Holding at the End of the Period			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Remark
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying Amount (Note 3)			
The Corporation	Paiho Int'L Limited	British Virgin Islands	International investment	\$ 1,014,556	\$ 1,107,261	30,368,564	100%	\$ 7,185,137	\$ 953,057	\$ 1,024,129	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	876,724	63,579	64,058	Subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	730,273	206,930	204,860	Subsidiary
	Paiho North America Corporation	California, USA	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	183,292	5,916	5,916	Subsidiary
	Spring Rich Limited	Changhua County, Taiwan	Extra processing of webbings	3,000	3,000	-	100%	5,533	253	253	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City, Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	358,776	358,776	-	33%	1,234,594	531,428	175,948	Indirect subsidiary of subsidiary
Paiho Int'L Limited	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	162,632,396	52%	3,209,196	1,084,247	(Note 1)	Indirect subsidiary
	He Mei Xing Ye Company Ltd.	Samoa	International investment	USD 16,263	USD 16,263	23,636,140	100%	2,524,473	356,216	(Note 1)	Indirect subsidiary
	Zhong Yuan Xing Ye Company Ltd.	Samoa	International trading	USD 3,760	USD 3,760	3,760,000	100%	1,637	2,323	(Note 1)	Indirect subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	USD 180	USD 180	1,800	1%	7,376	206,930	(Note 1)	subsidiary
He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Ho Chi Minh City, Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	773,954	773,954	-	67%	2,524,473	531,428	(Note 1)	Indirect subsidiary of subsidiary
Paiho Shih Holdings Corporation	Hong Kong Antex Limited.	Hong Kong	International investment	USD 54,335	USD 54,335	54,334,644	100%	7,611,227	1,352,122	(Note 1)	Indirect subsidiary of subsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD 1,791	USD 1,791	1,500,000	100%	( 20,928 )	63,631	(Note 1)	Indirect subsidiary of subsidiary
	Hon Shin Corp.	Samoa	Internal investment and trading	USD 130,000	USD 95,000	130,000,000	100%	1,793,814	( 252,122 )	(Note 1)	Indirect subsidiary of subsidiary
	Taiwan Pai Lon Biotechnology Co., Ltd.	Taiwan	Production and sales of masks and non-woven products	60,000	60,000	6,000,000	100%	59,720	( 56 )	(Note 1)	Indirect subsidiary of subsidiary
Paiho Group Inc.	Paiho Holdings Limited	British Virgin Islands	International investment	876,863	876,863	26,505,685	100%	877,519	63,584	(Note 1)	Indirect subsidiary
Paiho Holdings Limited	Braits Company Limited	British Virgin Islands	International investment	562,498	562,498	16,601,385	100%	577,866	45,991	(Note 1)	Indirect subsidiary of subsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong, Vietnam	Production and sale of mesh and other fabrics.	USD 130,000	USD 95,000	-	100%	2,062,842	( 229,098 )	(Note 1)	Indirect subsidiary under several layers of holding

Note 1: Information filling is exempted according to regulations.

Note 2: Information on investment in mainland China, please refer to Table 10.

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



Taiwan Paiho Limited and subsidiaries  
Information on Investment in Mainland China  
January 1 to September 30, 2021

Table 10

In Thousand New Taiwan Dollars or Foreign Currency

Name of the Investee Company in Mainland China (Note 1)	Main businesses and Products	Paid-in Capital	Investment Method	Cumulative Investment Amount Remitted out from Taiwan at the Beginning of the Period	Remittance of Funds		Cumulative Investment Amount Remitted out from Taiwan at the End of the Period	Net Income (loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5 and 6)	Carrying Amount at the End of the Period (Notes 5 and 6)	Accumulated Repatriation of Investment Income as of the End of the Current Period
					Outward	Inward						
Dongguan Paiho Textile Limited	Production & marketing of touch fasteners, elastics, various type of webbings and computerizes embroidery	\$ 148,396 (RMB 34,471)	(Note 1)	\$ -	\$ -	\$ -	\$ -	(\$ 2,653)	100%	(\$ 2,653)	\$ 149,480	\$ 1,214,739
Wuxi Paiho Textile Co., Limited	Processing of touch fastener, webbing and embroidery	1,655,670 (RMB 384,592)	(Note 1)	985,180	-	-	985,180	1,365,788	55%	746,456	4,139,026	320,508
China Star International Limited	Production & marketing of powder coating.	177,339 (RMB 41,194)	(Note 1)	201,922	-	-	201,922	15,895	100%	15,895	240,307	350,533
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating.	177,142 (RMB 41,148)	(Note 1)	35,720	-	-	35,720	7,405	100%	7,405	216,245	43,531
Wuxi Paisem Chemical Fibre Co., Ltd.	Production and sale of synthetic fiber.	569,063 (RMB 132,187)	(Note 1)	564,691	-	-	564,691	45,991	100%	45,991	577,866	-
Dongguan Paihong Industry Co., Ltd.	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.	1,537,293 (RMB 357,095)	(Note 1)	141,664	-	-	141,664	644,701	54%	356,060	1,720,576	156,170
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)	-	-	-	709,920	55%	389,623	1,421,894	-
Wuxi Paiwei Biotechnology Co. Ltd.	Production and sales of masks and non-woven products.	215,250 (RMB 50,000)	(Note 1)	(Note 2)	-	-	-	( 40,090 )	55%	( 22,002 )	100,287	-

Cumulative Investment Amount Remitted out from Taiwan to the Mainland at the End of the Period	Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs	In Accordance with the Investment Quota Set by the Investment Commission of the Ministry of Economic Affairs
\$ 336,426	\$ 552,847 ( USD 19,851 )	No upper limit (Note 3)

Note 1: Please refer to Note 12 of the notes to consolidated financial statements.

Note 2: The investment project is funded by Wuxi Paiho Textile Co., Limited.

Note 3: Under the "Principles for the Review of Investment or Technological Joint Venture in Mainland China" of the Investment Commission dated August 29, 2008, the Corporation was issued the certification document for proof of within the scope of operation of the corporate headquarters by Industrial Development Bureau, MOEA, for investment in Mainland China with no upper limit of the fund.

Note 4: Figures in this table involving foreign currencies will be converted into NTD at the exchange rate on the balance sheet day.

Note 5: With the exception of the financial statements of Wuxi Paiho Textile Co., Limited, Dongguan Paihong Industry Co., Ltd., Wuxi Paihong Real Estate Co., Ltd., and Wuxi Paiwei Biotechnology Co. Ltd, which have been reviewed by the Independent Auditors of the parent Company, the financial statements of all others covering the same period were unaudited.

Note 6: Significant intercompany accounts and transactions have been eliminated.

Taiwan Paiho Limited  
Information on Major Shareholders  
September 30, 2021

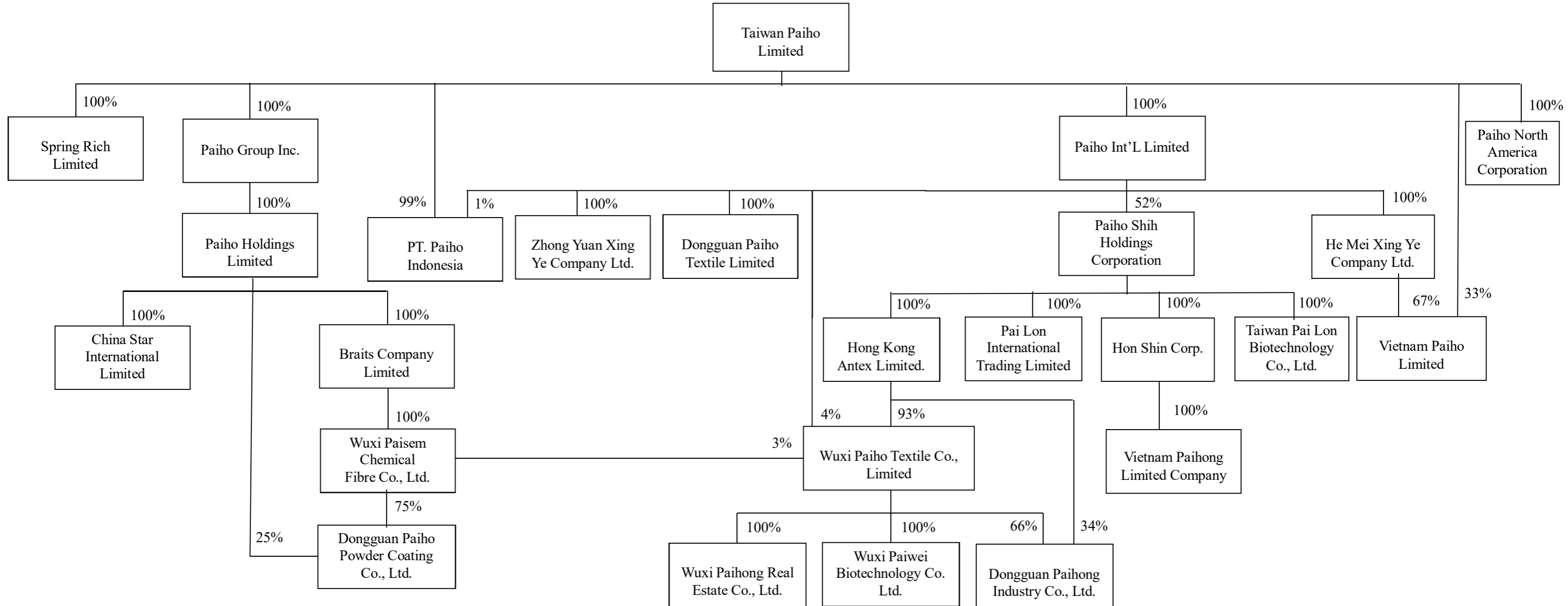
Table 11

Name of Major Shareholder	Shares	
	Number of Shares Held (Shares)	Shareholding Ratio
Fubon Life Insurance Co., Ltd.	23,363,000	7.84%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Taiwan Paiho Limited  
Investment Structure  
September 30, 2021

Table 12



Taiwan Paiho Limited  
Investment Structure  
September 30, 2020

Table 13

