

Stock Code: 2328



# **Pan-International Industrial Corp.**

2021 Annual General Meeting

## **Meeting Handbook**

Date and Time: 9:00 a.m., Friday, June 11, 2021  
Location: No. 97, Anxing Rd., Xindian Dist., New Taipei City  
(Anxing Plant of the Company)

For the convenience of readers and for information purpose only, the meeting handbook, auditors' reports and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version, or any difference in the interpretation between the two versions, the Chinese language meeting handbook, auditors' report and financial statements shall prevail.

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# **Pan-International Industrial Corp.**

## **2021 Annual General Meeting Procedure**

- I. Report of Number of Shares Represented by  
Attending Shareholders
- II. Call the Meeting to Order
- III. Chairman's Remarks
- IV. Report Items
- V. Ratification Items
- VI. Discussion Items
- VII. Extraordinary Motions
- VIII. Meeting Adjourned

# **Pan-International Industrial Corp.**

## **2021 Annual General Meeting Meeting Agenda**

Time: 9:00 a.m., Friday, June 11, 2021

Location: No. 97, Anxing Rd., Xindian Dist., New Taipei City (Anxing Plant of the Company)

### **I. Chairman's Remarks:**

### **II. Report Items:**

1. 2020 Business Report of the Company.
2. Audit Committee's Review Report on the 2020 Financial Statements.
3. Report on 2020 distribution of remuneration of employees and directors of the Company.
4. Report on 2020 distribution of earnings and cash dividends status.
5. Other report matters.

### **III. Ratification Items:**

1. Adoption of 2020 Business Report and Financial Statements.
2. Adoption of the proposal for distribution of 2020 earnings.

### **IV. Discussion Items:**

1. Amendments to the "Procedures for Derivatives Transactions" of the Company.

### **V. Extraordinary Motions.**

### **VI. Meeting Adjourned.**

## Report Items

I. 2020 Business Report of the Company. Proposed for review.

Explanation: Please refer to 2020 Business Report of the Attachments. (Please see page 6 to page 7 of this Handbook)

II. Audit Committee's Review Report on the 2020 Financial Statements. Proposed for review.

Explanation: Please refer to the Audit Committee's Review Report of the Attachments. (Please see page 8 of this Handbook)

III. Report on 2020 distribution of remuneration of employees and directors of the Company. Proposed for review.

Explanation: The profit sought by the Company in 2020 totaled NT\$ 802,872,526 (namely, the earnings before tax less the distribution of remuneration to employees and directors). 5% thereof were allocated as the remuneration to employees in cash, i.e. NT\$ 40,143,627, and 0.5% thereof as the remuneration to directors, i.e. NT\$ 4,014,36. Both were paid in cash.

IV. Report on 2020 distribution of earnings and cash dividends status. Proposed for review.

Explanation: 1. According to the provisions of the Articles of Incorporation, for cash dividends, the board of directors is authorized to reach special resolution for distribution, followed by reporting to the shareholders' meeting.  
2. For the shareholders' dividends, cash dividends of NT\$ 336,925,083, and NT\$ 0.65 is distributed per share. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT\$1 included in the distribution shall be transferred to the employees' welfare committee. The ex-dividend date is to be further specified by the board of directors' meeting.

3. In case where this proposal is affected by subsequent changes to the total number of outstanding shares encountered on a later date such that change to distribution rate for shareholders occurs, the chairman of the board is authorized to make adjustments and to handle relevant change matters.

V. Other report matters.

- Explanation:
1. Pursuant to the provisions of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of issued shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting. The current proposal acceptance period is from March 29, 2021 to April 8, 2021.
  2. Up to the end of the aforementioned proposal acceptance period, the Company receives no proposals submitted by the shareholders.

## **Ratification Items**

Proposal 1: Adoption of 2020 Business Report and Financial Statements, Proposed for review. (Proposed by the Board of Directors)

Explanation: 1. The 2020 Business Report and Financial Statements of the Company have been reviewed by the Audit Committee, and the Financial Statements have also been audited and certified by CPA Man-Yu Lu and CPA Min-Chuan Feng of Pricewaterhouse Coopers (PwC) Taiwan.

2. For the reports and statements described in the preceding paragraph, please refer to the Attachments. (Please see page 6 to page 7 and page 9 to page 29 of this Handbook).

3. Proposed for ratification.

Resolution:

Proposal 2: Proposal for 2020 earnings distribution. Proposed for ratification.

(Proposed by the Board of Directors)

Explanation: 1. The proposal for 2020 earnings distribution table of the Company is as shown in the Attachments. (Please see page 30 of this Handbook)

2. Proposed for ratification.

Resolution:

## **Discussion Items**

Proposal 1: Amendments to the “Procedures for Derivatives Transactions” of the Company. Proposed for discussion.  
(Proposed by the Board of Directors)

Explanation: To cope with the market transaction practice and to increase the transaction flexibility, parts of the provisions of the “Procedures for Derivatives Transactions” are planned to be amended. The comparison table for amendments is as shown in the Attachments.  
(Please see page 31 of this Handbook)

Resolution:

## **Extraordinary Motions**

## **Meeting Adjourned**

## **2020 Business Report**

Due to the impact of COVID-19, countries around the world all announced restrictive orders, leading to the shutdown a lot of manufacturing plants and facilities. Consequently, the revenue for the first half of the year indicated significant decline. In addition, to focus on the core business of the Company, the Company focused on its competitive products to increase the profit margin such that the Sharp OEM business was reduced. In 2020, the consolidated revenue showed a relatively greater decline from the revenue in 2019. Nevertheless, under the positive impact of the electronic component product combination optimization and the transfer of orders in the Southeast Asia business unit, the operating profit was maintained at the normal standard, and the Company continued to maintain its profit. In addition, the significant appreciation of NTD and CNY caused tremendous pressure on the non-operating foreign exchange loss. Consequently, in view of the overall year-round profit status, under the challenge of significant increase of difficulty imposed by the greater environment of corporate business management, the net income of this year declined from the last year.

While facing the greater environment of rapid change and severe competition, the Company will continue to review its expenditures in order to maintain its low-cost advantage and will also expand the automation planning, thereby increasing the production efficiency. In addition, the Company will also review the product and production capacity development strategy, recruit additional employees equipped with new techniques and establish plans for transformation and upgrade strategies, thereby enhancing the Company's future competitiveness and profitability. Looking to the future, the Company will continue to uphold the principle of diligent commitment and thrifty in order to overcome various obstacles, to increase revenue and to create profits continuously, thereby maintaining the goal of high profit growth to all shareholders for their full support of the Company.

I. Report on 2020 Operating Outcome:

- (I) The non-consolidated operating revenue was NT\$12.1 billion, a decrease of 29.8% from NT\$17.3 billion in 2019.
- (II) The consolidated operating revenue was NT\$20.5 billion in 2020, a decrease of 19.7 % from NT\$25.6 billion in 2019.
- (III) The consolidated net income before tax was NT\$1.19 billion, a decrease of 22% from NT\$1.53 billion in 2019.
- (IV) The consolidated net income after tax was NT\$0.79 billion, a decrease of 31.4% from NT\$1.15 billion in 2019.
- (V) The earnings per share (EPS) was NT\$1.28.

## II. 2021 Business Outlook:

Under the environment of the trade war between the U.S. and China and the geopolitical competition, restructuring of supply chain is currently in process in a low-key but active manner, such that the planning of production capacity and logistics will have critical impacts on the competitiveness of companies. In addition, with the construction and planning of 5G telecommunication, new electric vehicles are actively developed by companies and the demands for medical equipment remains strong, providing new opportunities and market demands to the development of new industries in the future. In view of the above, the new year will be a year full of both opportunities and challenges. The Company will seize the timing and focus on the core and competitive products along with the implementation of transformation and upgrade to strengthen competitiveness and probability of the Company. Furthermore, the Company also establishes the following operational objectives and production and sale policies in order to achieve the strategic goals:

### (I) Operational Objectives:

1. Focus on the electric vehicle and medical care industries, and actively improve product development technologies and production capability.
2. Integrate production capacities of all plant sites, and satisfy the production and logistics demands of customers at different regional markets.
3. Continue to review production cost and efficiency, and establish improvement plans, thereby improving the Company's competitiveness.

### (II) Production and Sale Policies:

1. Enhance the technical competence in the new industries of electric vehicle and medical equipment, and recruit senior technical development engineers and sales personnel, thereby actively expanding the product market share.

2. Integrate the production resources in China and Southeast Asia, and provide production and logistics planning to customers at different regions, thereby satisfying customer demands and strengthening the development of Southeast Asian market jointly.
3. Seize the business opportunities of AIoT, active develop 5G, auto, medical and industrial control related products, and increase the product breadth and the weight of products of high gross margin, thereby improving profitability of the Company.
4. Enhance the response capability of all plants with respect to major accidents, review employee safety and health plan at all time, protect employees' health, and maintain uninterrupted production and zero accidents.
5. Maintain close contact with the supply chain, prevent any shortage of raw materials, rigorously control inventory cost and reduce various expenses, thereby reducing the production cost.
6. Focus on corporate social responsibility related issues, increase environmental friendliness production standard and collaborate with customers to develop green products jointly, thereby achieving the objective of corporate sustainable operation.

While facing the future environmental changes and industrial development, the Company will seize opportunities to actively implement transformation and upgrade strategies, and will also enhance the business development in the industry of electric vehicle with best effort and expand the revenue from medical products. Furthermore, the Company will optimize the product revenue combination in order to enhance the profitability and competitiveness, as well as to improve corporate governance thereby achieving social return, and heading toward the objective of sustainable operation.

Chairman of the Board:  
Sung-Fa Lu

Managerial Officer:  
Sung-Fa Lu

Accounting Supervisor:  
Feng-An Huang

# **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 business report, financial statements and the earnings distribution table. The Audit Committee has reviewed the aforementioned documents, and concluded that all information is presented fairly. We hereby submit this report in accordance with the provisions of Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

To:

Pan-International Industrial Corp. 2021 Annual General Meeting

Chairman of the Audit Committee: Wen-Jung Cheng

March 23, 2021

## Auditors' Report

(2021) Cai-Shen-Bao Zi. No. 20003400

To Pan-International Electronics Inc.

### **Audit Opinions**

We have audited the Separate Balance Sheet of Pan-International Industrial Corp. of December 31, 2020 and 2019, and the Separate Comprehensive Income Statement, Separate Statement of Changes in Shareholders Equity, the Separate Statement of Cash Flows, and the Notes to Separate Financial Statements (including the significant accounting policies) covering the period of January 1 to December 31, 2020 and 2019.

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these separate financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Therefore, they are able to properly express the separate financial position of Pan-International Industrial Corp. as of December 31, 2020 and 2019, and the separate financial performance and separate cash flows from January 1 to December 31, 2020 and 2019.

### **Basis of our opinions**

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing principles generally accepted in the Republic of China for the statements of 2020, and the Regulations Governing the Audit and Certification of Financial Statements by Certified Public Accountants, Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen Zi. No. 1090360805 dated February 5, 2020, and the auditing principles generally accepted in the Republic of China for the statements of 2019. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Separate Financial Statements. We are independent of Pan-International Group in accordance with the Code of Ethics for Professional Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of Pan-International Industrial Corp. in 2020. These matters were addressed in the context of our audit of the separate statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the 2020 Separate Financial Statements of Pan-International Industrial Corp. are specified below:

## **Assessment of the provision for loss in valuation of inventory**

### Description:

For information on the accounting policy of valuation of inventory, refer to Note 4 (13) of the Notes to Separate Financial Statements. The accounting estimate, and the uncertainty of assumption of the valuation of inventory is specified in Note 5 (2) of the Notes to Separate Financial Statements. Notes to inventory items are specified in Note 6 (3) of the Notes to Separate Financial Statements. As of December 31, 2020, the balance of inventory and provision for valuation loss for Pan-International Industrial Corp. amounted to NT\$207,250,000 and NT\$50,976,000, respectively. The balance of inventory and provision for evaluation loss as stated in the consolidated financial statements of the same date amounted to NT\$2,163,387 and NT\$196,191,000, respectively.

The main product line marketed by Pan-International Industrial Corp. are cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allows for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Industrial Corp. and its subsidiaries measure the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Industrial Corp. and subsidiaries is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Industrial Corp. and its subsidiaries as key audit matter.

### The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

1. Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.
2. Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.
3. Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

### **The appropriateness of the manual journal entries**

#### Description:

The journal entries tracked the day-to-day transactions that took place, and the balance of the items for the financial statements and transaction amount are constituted through posting, aggregation, and classification. Pan-International Industrial Corp. classifies its daily journal entries into automatic entries and manual entries. Automatic entries refers to the operation procedure of initial transactions through the front-end subsystem (e.g., the systems of sale, purchase, production, and inventory) and the approval procedure, and the transfer of related transaction entities to the daily journal. Manual entries use a manual operation mode to directly record and approve other non-automatic transfers in the daily journal.

There are many modes for manual entries and they are complex, which involve manual operation and judgment. Inappropriate daily journal entries may result in material misstatement in the financial statements. We hold that manual entries in the daily journal are highly risky by nature, and singled out the examination of manual entries in the daily journal as key audit matter.

The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

1. Understand and assess the character of manual entries in the daily journal and the entry process, the effectiveness of control, and the appropriate division of labor and authority among the staff, including inappropriate personnel, time, and account titles.
2. From the above understanding and assessment, for entries identified as high risk due to manual entry, we checked related supporting documents, the appropriateness of the entries, and the confirmation and approval of the authorized personnel.

**Other matters - Audits conducted by other auditors**

Some of the investee companies of Pan-International Industrial Corp. accounted for under the equity method were presented in the Separate Financial Statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, we presented an opinion on the above financial statements and the amount presented thereof is based on the auditors' report of the other certified public accountants. The investment of the above companies accounted for under the equity method amounted to NT\$2,837,693 thousand and NT\$2,773,549 thousand as of December 31, 2020 and 2019, which accounted for 19% and 17% of the individual total assets, respectively. The comprehensive income recognized by the aforementioned companies in the period of January 1 to December 31, 2020 and 2019, amounted to NT\$179,547 thousand and NT\$142,334 thousand, and accounted for 25% and 24% of the individual comprehensive incomes, respectively.

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

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

In preparing the separate financial statements., management is responsible for assessing the ability of Pan-International Industrial Corp. to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting, unless management either intends to liquidate Pan-International Industrial Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Industrial Corp.

## **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

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

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

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

5. Evaluate the overall presentation, structure and content of the separate financial statements (including the notes to the statements), and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities within Pan-International Industrial Corp. to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the separate audit, and we are responsible for forming an audit opinion on the separate financial statements.

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

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

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

PwC Taiwan

Man-Yu Ruan Lui

Certified Public Accountant

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-Shen-ZiNo. 0990058257

Former Securities and Futures Bureau, Financial

Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-VI-ZiNo. 0960038033

March 23, 2021

Pan-International Industrial Corp.  
Separate Balance Sheet  
December 31, 2020 and 2019

Unit: NTD thousand

Assets	Note	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 1,376,015	9	\$ 496,952	3
1170	Net accounts receivable	6 (2)	938,742	6	1,393,409	8
1180	Accounts receivable - Related parties	7				
	net		1,489,916	10	2,712,213	17
1200	Other receivables	7	423,543	3	444,383	3
130X	Inventory	6 (3)	156,274	1	768,746	5
1479	Other current assets -others		2,270	-	3,411	-
11XX	<b>Total current assets</b>		<u>4,386,760</u>	<u>29</u>	<u>5,819,114</u>	<u>36</u>
<b>Non-Current Assets</b>						
1517	Financial assets measured at fair value through other comprehensive income - Non-current	6 (4)	1,233,266	9	855,556	6
1550	Investment by equity method	6 (5)	9,254,068	62	9,425,629	58
1600	Property, plant, and equipment	6 (6)	18,788	-	19,704	-
1760	Net investment property	6 (7)	34,371	-	34,591	-
1840	Deferred tax assets	6 (20)	27,451	-	38,194	-
1990	Other noncurrent assets - others		248	-	648	-
15XX	<b>Total non-current assets</b>		<u>10,568,192</u>	<u>71</u>	<u>10,374,322</u>	<u>64</u>
1XXX	<b>Total assets</b>		<u>\$ 14,954,952</u>	<u>100</u>	<u>\$ 16,193,436</u>	<u>100</u>

(To be Continued)

Pan-International Industrial Corp.  
Separate Balance Sheet  
December 31, 2020 and 2019

Unit: NTD thousand

LIABILITIES AND EQUITY		Note	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current liability</b>						
2100	Short-term borrowings	6 (8)	\$ 1,367,040	9	\$ 1,573,950	10
2130	Contractual liabilities - Current		42,286	-	36,448	-
2170	Accounts payable		661,873	4	1,095,039	7
2180	Accounts payable - Related parties	7	1,299,798	9	2,102,596	13
2200	Other payables	6 (9)	174,857	1	190,544	1
2230	Current tax liabilities	6 (20)	77,878	1	61,093	-
2399	Other current liabilities - Other		500	-	768	-
21XX	<b>Total current liabilities</b>		<u>3,624,232</u>	<u>24</u>	<u>5,060,438</u>	<u>31</u>
<b>Non-current liabilities</b>						
2570	Deferred tax liabilities	6 (20)	147,286	1	128,223	1
2640	Net defined benefit liabilities- noncurrent	6 (10)	12,459	-	40,776	-
2670	Other noncurrent liabilities - others		5,186	-	5,187	-
25XX	<b>Total non-current liabilities</b>		<u>164,931</u>	<u>1</u>	<u>174,186</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>3,789,163</u>	<u>25</u>	<u>5,234,624</u>	<u>32</u>
<b>interests</b>						
Share capital		6 (11)				
3110	Common share capital		5,183,462	35	5,183,462	32
Capital surplus		6 (12)				
3200	Capital surplus		1,503,606	10	1,503,606	10
Retained earnings		6 (13)				
3310	Legal reserve		1,062,342	7	959,410	6
3320	Special reserve		1,312,274	9	883,205	6
3350	Unappropriated earnings		3,453,829	23	3,741,403	23
Other equities		6 (14)				
3400	Other equities		( 1,349,724)	( 9)	( 1,312,274)	( 9)
3XXX	<b>Total equity</b>		<u>11,165,789</u>	<u>75</u>	<u>10,958,812</u>	<u>68</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 14,954,952</u>	<u>100</u>	<u>\$ 16,193,436</u>	<u>100</u>

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Separate Comprehensive Income Statement  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

Item	Note	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6 (15) and 7	\$ 12,132,878	100	\$ 17,288,805	100
5000 Operating cost	6 (13) (18) and 7	( 11,526,383)	( 95)	( 16,656,188)	( 96)
5900 Operating profit margin		<u>606,495</u>	<u>5</u>	<u>632,617</u>	<u>4</u>
Operating expenses	6 (18)				
6100 Selling and marketing expenses		( 70,729)	-	( 90,863)	( 1)
6200 General and administrative expenses		( 70,307)	( 1)	( 73,851)	-
6300 Research and development expenses		( 12,380)	-	( 11,832)	-
6450 Anticipated credit impairment (loss) benefit	12 (2)	( 1,848)	-	319	-
6000 Total operating expenses		<u>( 155,264)</u>	<u>( 1)</u>	<u>( 176,227)</u>	<u>( 1)</u>
6900 Operating profit		<u>451,231</u>	<u>4</u>	<u>456,390</u>	<u>3</u>
Non-operating income and expense					
7100 Interest income		8,343	-	9,574	-
7010 Other income	6 (16)	9,225	( 1)	17,068	-
7020 Other gains and losses	6 (17)	( 29,460)	-	123,929	1
7050 Financial costs	6 (19)	( 21,966)	-	( 44,254)	-
7070 The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method		<u>341,342</u>	<u>3</u>	<u>591,614</u>	<u>3</u>
7000 Total non-operating income and expenses		<u>307,484</u>	<u>2</u>	<u>697,931</u>	<u>4</u>
7900 <b>Net income before tax</b>		<u>758,715</u>	<u>6</u>	<u>1,154,321</u>	<u>7</u>
7950 Income tax expense	6 (20)	( 95,525)	( 1)	( 124,998)	( 1)
8200 <b>Net income for the period</b>		<u>\$ 663,190</u>	<u>5</u>	<u>\$ 1,029,323</u>	<u>6</u>
<b>Other comprehensive income (net)</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
8311 Remeasured value of defined benefit plan	6 (10)	\$ 26,166	-	(\$ 3,867)	-
8316 Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (14)	554,103	5	( 107,578)	( 1)
8330 The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method- items not reclassified as income	6 (21)	( 411,687)	( 3)	( 43,222)	-
8349 Income tax related to items not reclassified	6 (20)	( 5,233)	-	773	-
8310 Total of items not reclassified to profit or loss		<u>163,349</u>	<u>2</u>	<u>( 153,894)</u>	<u>( 1)</u>
<b>Items that may be reclassified</b>					

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Separate Comprehensive Income Statement  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

	<b>subsequently to profit or loss:</b>									
8361	Currency translation difference	6 (14)	(	101,216)	(	1)	(	278,778)	(	2)
8360	Total of items that may be reclassified subsequently to profit or loss:		(	101,216)	(	1)	(	278,778)	(	2)
8300	<b>Other comprehensive income (net)</b>		\$	62,133		1	(\$	432,672)	(	3)
8500	<b>Total comprehensive income in the current period</b>		\$	725,323		6	\$	596,651		3
	Earnings per share (EPS)	6 (22)								
9750	Basic earnings per share		\$			1.28	\$			1.99
9850	Diluted earnings per share		\$			1.27	\$			1.97

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Separate Statement of Changes in Shareholders Equity  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Note	Capital surplus			Retained earnings			Other equities			Total Equity
		Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Capital reserve - difference between the price and face value from the acquisition or disposal of equity with subsidiaries.	Legal reserve	Special reserve	Unappropriated earnings	Currency translation difference	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
<u>2019</u>											
January 1		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 840,872	\$ 496,898	\$ 3,790,709	(\$ 783,138 )	(\$ 100,067 )	\$ 10,932,342
Net income for the period		-	-	-	-	-	-	1,029,323	-	-	1,029,323
Other comprehensive income recognized for the period	6 (14) (21)	-	-	-	-	-	-	( 3,603 )	( 278,778 )	( 150,291 )	( 432,672 )
Total comprehensive income in the current period		-	-	-	-	-	-	1,025,720	( 278,778 )	( 150,291 )	596,651
Earnings distribution and appropriation for 2018:	6 (13)										
Provision of legal reserve		-	-	-	-	118,538	-	( 118,538 )	-	-	-
Provision of special reserve		-	-	-	-	-	386,307	( 386,307 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 570,181 )	-	-	( 570,181 )
December 31		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 959,410	\$ 883,205	\$ 3,741,403	(\$ 1,061,916 )	(\$ 250,358 )	\$ 10,958,812
<u>2020</u>											
January 1		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 959,410	\$ 883,205	\$ 3,741,403	(\$ 1,061,916 )	(\$ 250,358 )	\$ 10,958,812
Net income for the period		-	-	-	-	-	-	663,190	-	-	663,190
Other comprehensive income recognized for the period	6 (14) (21)	-	-	-	-	-	-	20,860	( 101,216 )	142,489	62,133
Total comprehensive income in the current period		-	-	-	-	-	-	684,050	( 101,216 )	142,489	725,323
Earnings distribution and provisions for 2019:	6 (13)										
Provision of legal reserve		-	-	-	-	102,932	-	( 102,932 )	-	-	-
Provision of special reserve		-	-	-	-	-	429,069	( 429,069 )	-	-	-
Cash dividends		-	-	-	-	-	-	( 518,346 )	-	-	( 518,346 )
Equity instruments measured at fair value through other comprehensive income	6 (14)	-	-	-	-	-	-	78,723	-	( 78,723 )	-
December 31		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 1,062,342	\$ 1,312,274	\$ 3,453,829	(\$ 1,163,132 )	(\$ 186,592 )	\$ 11,165,789

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Pan-International Industrial Corp.  
Separate Statement of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Income before income tax		\$ 758,715	\$ 1,154,321
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (18)	1,544	1,571
Provision for anticipated credit impairment loss (reversal gain)	12 (2)	1,848	( 319 )
Net benefits of financial assets and liabilities measured at fair value through the income	6 (17)	-	( 13,934 )
Interest expense	6 (19)	21,966	44,254
Interest income		( 8,343 )	( 9,574 )
Dividend income	6 (16)	-	( 5,663 )
The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method		( 341,342 )	( 591,614 )
Net profit from the disposal of non-current assets pending for sale	6 (17)	-	( 145,112 )
Unrealized foreign exchange gain	6 (23)	( 73,935 )	( 37,140 )
Changes in assets/liabilities related to business activities			
Net change in assets related to business activities			
Financial assets and liabilities measured at fair value through the income		-	50,600
Net accounts receivable		452,597	( 172,149 )
Accounts receivable - Related parties net		1,222,520	1,000,034
Inventory		612,472	288,121
Other receivables		42,563	111,817
Other current assets		1,141	465
Net change in liabilities related to business activities			
Accounts payable		( 433,166 )	( 710,764 )
Accounts payable - Related parties		( 802,798 )	87,835
Other payables		( 41,780 )	( 74,988 )
Other current liabilities		( 268 )	( 158 )
Other non-current liabilities		( 2,151 )	2,482
Contractual liabilities		5,838	( 121,113 )
Cash inflow from operations		1,417,421	858,972
Income tax paid		( 54,167 )	( 137,589 )
Net cash inflow from business activities		1,363,254	721,383
<b><u>Cash flows from investing activities</u></b>			
Decrease (increase) of funds lent to related parties		946	( 989 )
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		166,954	-
Return of capital investment in financial assets measured at fair value through other comprehensive income		9,439	-
Proceeds from disposal of non-current assets pending for sale		-	246,191
Purchase of property, plant and equipment		( 220 )	-
Decrease (increase) of receivables from purchase of materials for a third party		3,423	( 24,638 )
Decrease in refundable deposits		211	-
Interest received		8,343	9,574
Dividend received		-	13,363
Net cash inflow from investment		189,096	243,501
<b><u>Cash flows from financing activities</u></b>			
Decrease in short-term borrowings	6 (23)	( 132,975 )	( 278,190 )

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them,  
too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp.  
Separate Statement of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
Interest paid		( 21,966 )	( 44,254 )
Cash dividend payment	6 (13)	( 518,346 )	( 570,181 )
Net cash outflow from financing activities		( 673,287 )	( 892,625 )
Increase in cash and cash equivalents in the current period		879,063	72,259
Cash and cash equivalents at the beginning of the period		496,952	424,693
Cash and cash equivalents at the end of the period		\$ 1,376,015	\$ 496,952

The notes to the separate financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Auditors' Report

(2020) Cai-Shen-Bao-Zi No. 20003894

To Pan-International Industrial Corp.

**Audit Opinions**

We have audited the consolidated balance sheet of December 31, 2020 and December 31, 2019, the consolidated comprehensive income sheet, consolidated statement of changes in equity, consolidated statement of cash flows from January 1 to December 31, 2020 and 2019, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Pan-International Industrial Corp. and its subsidiaries (hereinafter “Pan-International Group”).

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these consolidated financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission. Therefore, they are able to properly express the consolidated financial status of Pan-International Group as of December 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2020 and 2019.

## **Basis of our opinions**

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing principles generally accepted in the Republic of China for the statements of 2020, and the Regulations Governing the Audit and Certification of Financial Statements by Certified Public Accountants, Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen Zi. No. 1090360805 dated February 5, 2020, and the auditing principles generally accepted in the Republic of China for the statements of 2019. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements. We are independent of Pan-International Group in accordance with the Code of Ethics for Professional Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

## **Key Audit Matters**

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

The key audit matters of the consolidated financial statements of the year 2020 of Pan-International Group are as follows:

## **Assessment of the provision for loss in valuation of inventory**

### Description:

For additional information on the accounting policy of inventory valuation, refer to Note 4 (14) of the consolidated financial statements. For information on the uncertainty of accounting estimates and assumptions for inventory valuation, refer to Note 5 (2) of the consolidated financial statements. For a description of the inventory items, refer to Note 6 (4) of the consolidated financial statements. As of December 31, 2020, Pan-International Group recognized inventory loss and provision for valuation loss of inventory amounting to NT\$2,163,387 thousand and NT\$196,191 thousand, respectively.

Pan-International Group mainly produces cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allow for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Group measures the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Group is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Group as key audit matter.

### The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

1. Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.
2. Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.
3. Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

### **The appropriateness of manual daily journal entries**

#### Description:

The journal entries tracked the day-to-day transactions that took place, and the balance of the items for the financial statements and transaction amount are constituted through posting, aggregation, and classification. Pan-International Group classifies its daily journal entries into automatic entries and manual entries. Automatic entries refers to the operation procedure of initial transactions through the front-end subsystem (e.g., the systems of sale, purchase, production, and inventory) and the approval procedure, and the transfer of related transaction entities to the daily journal. Manual entries use a manual operation mode to directly record and approve other non-automatic transfers in the daily journal.

There are many modes for manual entries and they are complex, which involve manual operation and judgment. Inappropriate daily journal entries may result in material misstatement in the financial statements. We hold that manual entries in the daily journal are highly risky by nature, and singled out the examination of manual entries in the daily journal as key audit matter.

### The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

1. Understand and assess the character of manual entries in the daily journal and the entry process, the effectiveness of control, and the appropriate division of labor and authority among the staff, including inappropriate personnel, time, and account titles.
2. From the above understanding and assessment, for entries identified as high risk due to manual entry, we checked related supporting documents, the appropriateness of the entries, and the confirmation and approval of the authorized personnel.

### **Additional information - audits conducted by other auditors**

Some of the investee companies of Pan-International Group accounted for under the equity method were presented in the consolidated financial statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, the opinions on the aforementioned consolidated financial statements regarding the amount presented in the aforementioned financial statements of these companies before adjustment were based on the Auditors' Report of other certified public accountants. The total assets of the aforementioned companies (including the investment accounted for under the equity method) as of December 31, 2020 and 2019, amounted to NT\$5,766,000 thousand and NT\$5,059,247 thousand, respectively, accounting for 28% and 23% of the consolidated total assets, respectively. Revenue for the years ended December 31, 2020 and 2019, amounted to NT\$5,225,571 thousand and NT\$5,257,526 thousand, respectively, accounting for 25% and 21% of the consolidated net operating income, respectively.

## **Additional information - Issuance of Auditors' Report on Separate Financial Statements**

Pan-International Industrial Corp. has prepared the separate financial statements of 2020 and 2019. We have audited these statements and issued an unqualified opinion and additional information. Auditors' Reports issued by other accountants are on record for reference.

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

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

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

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Group.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

However, future events or conditions may cause Pan-International Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes to the statements), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and we are responsible for forming an audit opinion on the Group.

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

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

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

PwC Taiwan

Man-Yu Ruan Lui

Certified Public Accountant

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-Shen-ZiNo. 0990058257

Former Securities and Futures Bureau, Financial

Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Cheng-VI-ZiNo. 0960038033

March 23, 2021

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

Assets	Note	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6 (1)	\$ 7,544,242	36	\$ 6,200,511	29
1110	Financial assets at FVTPL - Current	6 (2)	54,250	-	81,511	-
1150	Net notes receivable	6 (3)	41	-	6,205	-
1170	Net accounts receivable	6 (3)	2,564,231	12	2,598,473	12
1180	Accounts receivable - Related parties	7				
	net		2,759,169	13	4,093,559	19
1200	Other receivables	7	118,590	1	149,302	1
130X	Inventory	6 (4)	1,967,196	10	2,493,527	11
1470	Other current assets	8	159,825	1	216,781	1
11XX	<b>Total current assets</b>		<u>15,167,544</u>	<u>73</u>	<u>15,839,869</u>	<u>73</u>
<b>Non-Current Assets</b>						
1517	Financial assets measured at fair value through other comprehensive income - Non-current	6 (5)	2,367,713	12	2,607,269	12
1535	Financial assets measured at after-amortization cost - Non-current	6 (6) and 8	1,306	-	1,291	-
1550	Investment by equity method	6 (7)	804,554	4	838,555	4
1600	Property, plant, and equipment	6 (8) and 8	1,670,684	8	1,682,528	8
1755	Right-of-use assets	6 (9)	288,179	1	393,822	2
1760	Net investment property	6 (10) and 8	234,558	1	151,021	1
1780	Intangible asset	6 (11)	36,963	-	37,142	-
1840	Deferred tax assets	6 (25)	90,266	1	108,781	-
1900	Other non-current assets		17,857	-	27,504	-
15XX	<b>Total non-current assets</b>		<u>5,512,080</u>	<u>27</u>	<u>5,847,913</u>	<u>27</u>
1XXX	<b>Total assets</b>		<u>\$ 20,679,624</u>	<u>100</u>	<u>\$ 21,687,782</u>	<u>100</u>

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

LIABILITIES AND EQUITY		Note	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current liability</b>						
2100	Short-term borrowings	6 (12)	\$ 1,568,333	8	\$ 1,573,950	7
2130	Contractual liabilities - Current	6 (20)	395,622	2	263,111	1
2170	Accounts payable		2,813,815	14	3,307,826	15
2180	Accounts payable - Related parties	7	1,356,093	7	2,188,793	10
2200	Other payables	6 (13)	905,806	4	949,138	5
2230	Current tax liabilities		309,283	1	185,498	1
2280	Lease liabilities - Current	7	73,157	-	79,387	1
2399	Other current liabilities - Other		28,282	-	41,222	-
21XX	<b>Total current liabilities</b>		<u>7,450,391</u>	<u>36</u>	<u>8,588,925</u>	<u>40</u>
<b>Non-current liabilities</b>						
2570	Deferred tax liabilities	6 (25)	269,971	1	257,574	1
2580	Lease liabilities - Non-current	7	147,802	1	215,900	1
2600	Other non-current liabilities	6 (14)	23,166	-	47,449	-
25XX	<b>Total non-current liabilities</b>		<u>440,939</u>	<u>2</u>	<u>520,923</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>7,891,330</u>	<u>38</u>	<u>9,109,848</u>	<u>42</u>
<b>Equity attributable to owners of the parent company</b>						
Share capital						
3110	Common share capital	6 (15)	5,183,462	25	5,183,462	24
Capital surplus						
3200	Capital surplus	6 (16)	1,503,606	8	1,503,606	8
Retained earnings						
3310	Legal reserve	6 (17)	1,062,342	5	959,410	4
3320	Special reserve		1,312,274	6	883,205	4
3350	Unappropriated earnings		3,453,829	17	3,741,403	17
Other equities						
3400	Other equities	6 (18)	( 1,349,724)	( 7)	( 1,312,274)	( 6)
31XX	<b>Total equity attributable to owners of the parent company</b>		<u>11,165,789</u>	<u>54</u>	<u>10,958,812</u>	<u>51</u>
36XX	<b>Non-controlling interests</b>	6 (19)	<u>1,622,505</u>	<u>8</u>	<u>1,619,122</u>	<u>7</u>
3XXX	<b>Total equity</b>		<u>12,788,294</u>	<u>62</u>	<u>12,577,934</u>	<u>58</u>
Significant Contingent Liabilities and Unrecognized Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 20,679,624</u>	<u>100</u>	<u>\$ 21,687,782</u>	<u>100</u>

The notes to the consolidated financial reports are attached as part of this consolidated financial report; please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

Item	Note	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6 (20) and 7	\$ 20,547,713	100	\$ 25,600,708	100
5000 Operating cost	6 (4) (23) And 7	( 18,403,018)	( 89)	( 23,241,509)	( 91)
5900 Operating profit margin		2,144,695	11	2,359,199	9
Operating expenses	6 (23)				
6100 Selling and marketing expenses		( 220,811)	( 1)	( 260,572)	( 1)
6200 General and administrative expenses		( 716,427)	( 4)	( 642,540)	( 2)
6300 Research and development expenses		( 267,362)	( 1)	( 274,282)	( 1)
6450 Anticipated credit impairment (loss) benefit	12 (2)	( 15,297)	-	12,603	-
6000 Total operating expenses		( 1,219,897)	( 6)	( 1,164,791)	( 4)
6900 Operating profit		924,798	5	1,194,408	5
Non-operating income and expense					
7100 Interest income		111,701	-	101,647	-
7010 Other income	6 (21)	135,412	1	89,011	-
7020 Other gains and losses	6 (22)	90,455	-	248,845	1
7050 Financial costs	6 (24)	( 35,099)	-	( 57,688)	-
7060 Share of profits and losses of affiliated companies and joint ventures recognized by the equity method	6 (7)	( 34,001)	-	( 46,113)	-
7000 Total non-operating income and expenses		268,468	1	335,702	1
7900 <b>Net income before tax</b>		1,193,266	6	1,530,110	6
7950 Income tax expense	6 (25)	( 402,771)	( 2)	( 376,973)	( 1)
8200 <b>Net income for the period</b>		\$ 790,495	4	\$ 1,153,137	5

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand  
(except in NTD for earnings per share)

Item	Note	2020		2019	
		Amount	%	Amount	%
<b>Items that will not be reclassified subsequently to profit or loss</b>					
8311	Remeasured value of defined benefit plan	6 (14)	\$ 26,079	-	(\$ 4,475) -
8316	Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (18)	142,489	1	( 150,291) ( 1)
8349	Income tax related to items not reclassified	6 (25)	( 5,233)	-	773 -
8310	Total of items not reclassified to profit or loss		<u>163,335</u>	<u>1</u>	<u>( 153,993)</u> <u>( 1)</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>					
8361	Currency translation difference	6 (18 (19)	( 161,568)	( 1)	( 298,328) ( 1)
8360	Total of items that may be reclassified subsequently to profit or loss:		( 161,568)	( 1)	( 298,328) ( 1)
8300	<b>Other comprehensive income (net)</b>		<u>\$ 1,767</u>	<u>-</u>	<u>(\$ 452,321)</u> <u>( 2)</u>
8500	<b>Total comprehensive income in the current period</b>		<u>\$ 792,262</u>	<u>4</u>	<u>\$ 700,816</u> <u>3</u>
NET PROFIT ATTRIBUTABLE TO:					
8610	Owners of the parent company		\$ 663,190	3	\$ 1,029,323 4
8620	Non-controlling interests		127,305	1	123,814 1
			<u>\$ 790,495</u>	<u>4</u>	<u>\$ 1,153,137</u> <u>5</u>
Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ 725,323	4	\$ 596,651 3
8720	Non-controlling interests		66,939	-	104,165 -
			<u>\$ 792,262</u>	<u>4</u>	<u>\$ 700,816</u> <u>3</u>
Earnings per share (EPS) 6 (26)					
9750	Basic earnings per share		<u>\$</u>	<u>1.28</u>	<u>\$</u> <u>1.99</u>
9850	Diluted earnings per share		<u>\$</u>	<u>1.27</u>	<u>\$</u> <u>1.97</u>

The attached notes to the consolidated financial reports are part of this consolidated financial report; please refer to them, too.

Chairman : Sung-Fa Lu

Manager : Sung-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Changes Equity  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Note	Equity attributable to owners of the parent company										
		Capital surplus			Retained earnings			Other equities				
		Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Legal reserve	Special reserve	Unappropriated earnings	Currency translation difference	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-controlling interests	Total Equity
<u>2019</u>												
Balance on January 1		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 840,872	\$ 496,898	\$ 3,790,709	(\$ 783,138 )	(\$ 100,067 )	\$ 10,932,342	\$ 1,580,757	\$ 12,513,099
Net income for the period		-	-	-	-	-	1,029,323	-	-	1,029,323	123,814	1,153,137
Other comprehensive income recognized for the 6 (18) period		-	-	-	-	-	( 3,603 )	( 278,778 )	( 150,291 )	( 432,672 )	( 19,649 )	( 452,321 )
Total comprehensive income in the current period		-	-	-	-	-	1,025,720	( 278,778 )	( 150,291 )	596,651	104,165	700,816
Earnings distribution and appropriation for 2018:	6 (17)											
Provision of legal reserve		-	-	-	118,538	-	( 118,538 )	-	-	-	-	-
Provision of special reserve		-	-	-	-	386,307	( 386,307 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 570,181 )	-	-	( 570,181 )	-	( 570,181 )
Decrease in non-controlling interests	6 (19)	-	-	-	-	-	-	-	-	-	( 65,800 )	( 65,800 )
Balance on December 31		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 959,410	\$ 883,205	\$ 3,741,403	(\$ 1,061,916 )	(\$ 250,358 )	\$ 10,958,812	\$ 1,619,122	\$ 12,577,934
<u>2020</u>												
Balance on January 1		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 959,410	\$ 883,205	\$ 3,741,403	(\$ 1,061,916 )	(\$ 250,358 )	\$ 10,958,812	\$ 1,619,122	\$ 12,577,934
Net income for the period		-	-	-	-	-	663,190	-	-	663,190	127,305	790,495
Other comprehensive income recognized for the 6 (18) period		-	-	-	-	-	20,860	( 101,216 )	142,489	62,133	( 60,366 )	1,767
Total comprehensive income in the current period		-	-	-	-	-	684,050	( 101,216 )	142,489	725,323	66,939	792,262
Earnings distribution and provisions for 2019:	6 (17)											
Provision of legal reserve		-	-	-	102,932	-	( 102,932 )	-	-	-	-	-
Provision of special reserve		-	-	-	-	429,069	( 429,069 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 518,346 )	-	-	( 518,346 )	-	( 518,346 )
Equity instruments measured at fair value through other comprehensive income	6 (18)	-	-	-	-	-	78,723	-	( 78,723 )	-	-	-
Decrease in non-controlling interests	6 (19)	-	-	-	-	-	-	-	-	-	( 63,556 )	( 63,556 )
Balance on December 31		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,062,342	\$ 1,312,274	\$ 3,453,829	(\$ 1,163,132 )	(\$ 186,592 )	\$ 11,165,789	\$ 1,622,505	\$ 12,788,294

The attached notes to the consolidated financial reports are part of this consolidated financial report : please refer to them, too.

Chairman: Sung-Fa Lu

Manager: Sung-Fa Lu

Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		\$ 1,193,266	\$ 1,530,110
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (23)	398,648	424,400
Provision for anticipated credit impairment loss (reversal gain)	12 (2)	15,297	( 12,603 )
Net benefits of financial assets and liabilities measured at fair value through the income	6 (22)	( 48,804 )	( 19,013 )
Interest expense	6 (24)	35,099	57,688
Interest income		( 111,701 )	( 101,647 )
Dividend income	6 (21)	( 1,547 )	( 7,442 )
Income from rental reduction		( 4,308 )	-
Share of profits and losses of affiliated companies recognized by the equity method	6 (7)	34,001	46,113
Unrealized foreign exchange gain		( 73,935 )	( 37,140 )
Net loss from the disposal of property, plant and equipment	6 (22)	9,986	24,726
Net profit from the disposal of non-current assets pending for sale	6 (22)	-	( 145,112 )
Changes in assets/liabilities related to business activities			
Net change in assets related to business activities			
Financial assets and liabilities measured at fair value through the income		73,172	6,060
Net notes receivable		6,163	( 6,021 )
Net accounts receivable		( 28,825 )	196,354
Accounts receivable - Related parties net		1,345,988	1,666,794
Other receivables		( 19,447 )	41,175
Inventory		504,125	221,616
Other current assets		39,449	( 56,505 )
Net change in liabilities related to business activities			
Accounts payable		( 491,909 )	( 896,362 )
Accounts payable - Related parties		( 837,050 )	( 62,802 )
Other payables		( 132,455 )	58,680
Other current liabilities		( 13,969 )	28,449
Contractual liabilities		132,511	( 136,501 )
Other non-current liabilities		( 24,365 )	6,664
Cash inflow from operations		1,999,390	2,827,681
Income tax paid		( 266,843 )	( 363,056 )
Net cash inflow from business activities		<u>1,732,547</u>	<u>2,464,625</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		285,612	-
Return of capital investment in financial assets measured at fair value through other comprehensive income		10,271	-
Acquisition of financial assets measured at after-amortization cost		-	( 2,738,012 )
Disposal of financial assets measured at after-amortization cost		-	3,442,005
Proceeds from disposal of non-current assets pending for sale		-	246,191
Purchase property, plant and equipment assets	6 (27)	( 339,936 )	( 321,598 )
Proceeds from disposal of property, plant and equipment		41,610	52,231
Increase in refundable deposits		( 691 )	-
Decrease in refundable deposits		616	268
Increase in other non-current assets		( 6,711 )	( 2,554 )
Interest received		111,965	101,684
Dividend received		1,547	7,442
Net cash inflow from investment		<u>104,283</u>	<u>787,657</u>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	6 (28)	67,382	( 548,162 )
Lease principal repayment		( 65,934 )	( 66,904 )
Cash dividend payment	6 (17)	( 518,346 )	( 570,181 )
Interest paid		( 34,549 )	( 56,034 )
Number of cash dividends paid to non-controlling interests	6 (19)	( 63,556 )	( 65,800 )
Net cash outflow from financing activities		( 615,003 )	( 1,307,081 )
Impact of changes in the exchange rate on cash and cash equivalents		121,904	( 188,058 )
Increase in cash and cash equivalents in the current period		1,343,731	1,757,143
Cash and cash equivalents at the beginning of the period		6,200,511	4,443,368
Cash and cash equivalents at the end of the period		<u>\$ 7,544,242</u>	<u>\$ 6,200,511</u>

The attached notes to the consolidated financial reports are part of this consolidated financial report ; please refer to them, too.

Pan-International Industrial Corp.  
Earnings Distribution Table  
2020

Item	Unit: In New Taiwan Dollars Amount
Unappropriated retained earnings at beginning of the term	2,691,057,868
Plus: Remeasurements of the defined benefit plan recognized in retained earnings	20,859,915
Plus: Gain on disposal of equity instrument measured at fair value through other comprehensive income transferred to retained earnings	78,723,050
Plus: Net income after tax	663,189,780
Less: Legal reserve	(76,277,275)
Less: Special reserve	(37,450,559)
Earnings available for distribution	3,340,102,779
Item for distribution:	
Shareholders' cash dividends (Note)                      NT\$0.65 per share	(336,925,083)
Ending undistributed earnings	3,003,177,696

Note 1: The earnings of 2020 is to be distributed in priority for this year.

Note 2: According to the provisions Article 21 of the Articles of Incorporation, for the issuance of cash dividends and bonuses resolved by the board of directors, the board of directors is authorized to establish the distribution plan and to report to the shareholders' meeting.

Chairman of the Board:  
Sung-Fa Lu

Managerial Officer:  
Sung-Fa Lu

Accounting Manager:  
Feng-An Huang

**Pan-International Industrial Corp.**  
**Comparison Table for Amendments of “Procedures for  
Derivatives Transactions”**

Provision After Amendment	Current Provision	Explanation
<p>Article 5 Operation Procedure</p> <p>I. Authorized Amount, Management Level and Executing Unit:</p> <p>(I) Chairman: The authorized amount is equivalent to an amount <u>exceeding US\$50 million</u>.</p> <p>(II) President: The authorized amount is equivalent to an amount <u>exceeding US\$30+0 million but less than US\$50 million (inclusive)</u>.</p> <p>(III) Financial supervisor: The authorized amount is equivalent to an amount less than US\$30 million.</p> <p>(IV) Executing Unit: Financial Department.</p> <p>The aforementioned authorized amounts refer to the total amount of each contract of derivative transaction. The Chairman is authorized to make adjustments according to the changes of the environment; however, the result after adjustment shall be reported to the Board of Directors for review.</p> <p>II ~ IV Omitted</p>	<p>Article 5 Operation Procedure</p> <p>I. Authorized Amount, Management Level and Executing Unit:</p> <p>(I) Chairman: The authorized amount is equivalent to an amount above US\$15 million (inclusive).</p> <p>(II) President: The authorized amount is equivalent to an amount above US\$10 million (inclusive) but less than US\$15 million.</p> <p>(III) Senior supervisor designated by the Board of Directors: The authorized amount is equivalent to an amount above US\$5 million (inclusive) but less than US\$10 million.</p> <p>(IV) Financial supervisor: The authorized amount is equivalent to an amount less than US\$5 million (inclusive).</p> <p>(V) Executing Unit: Financial Department.</p> <p>The aforementioned authorized amounts refer to the total amount of each contract of derivative transaction. The Chairman is authorized to make adjustments according to the changes of the environment; however, the result after adjustment shall be reported to the Board of Directors for review.</p> <p>II ~ IV Omitted</p>	<p>The authorized amount for each management level is adjusted in order to satisfy the actual needs</p>

## **Pan-International Industrial Corp. Rules of Procedure for Shareholder Meetings**

- I. The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by laws and regulations, shall be as provided in these Rules.
- II. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in.
- III. The attendance and voting at a shareholders' meeting shall be calculated based the number of shares.
- IV. The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- V. If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise his/her power and authority the Vice Chairman to act as a proxy thereof; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise his/her power and authority, the Chairman shall appoint one of the Managing Directors to act as chair, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chair. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall select from among themselves one Director as a proxy thereof. Where a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.
- VI. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity. The staff serving on the shareholders' meeting shall wear identity certificates or arm-bands.

- VII. The Company shall record on audio or video tape the entire proceedings of a shareholders' meeting and preserve the recordings for at least one year.
- VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the attending shareholders may reach a tentative resolution according to Paragraph 1, Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- IX. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. After the chair declares the meeting adjourned, shareholders shall not further elect a chair to continue the meeting at the original site or at another place.
- X. Before speaking, a shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance that does not actually speak in the meeting shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

- XI. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- XII. When a juristic person is appointed to attend a shareholders' meeting as proxy, it shall designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- XIII. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- XIV. When the chair at a shareholders' meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.
- XV. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Voting results shall be made known on-site immediately and recorded in writing.
- XVI. When a meeting is in progress, the chair may announce a break based on time considerations.
- XVII. Except as otherwise provided in the Company Act and the Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. When a proposal comes to a vote, if no shareholder voices an objection following an inquiry by the chair, the proposal will be deemed to be approved, and it shall have the same effect as that reached through voting.
- XVIII. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When anyone among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

XIX. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) assist to maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."

# **Pan-International Industrial Corp. Articles of Incorporation**

## **Chapter 1 General Rules**

Article 1: The Company shall be incorporated under the Company Act, and its name shall be Pan-International Industrial Corp.

Article 2: The scope of business of the Company shall be as follows:

1. CC01080 Electronics Components Manufacturing.
2. CC01110 Computer and Peripheral Equipment Manufacturing.
3. CC01060 Wired Communication Mechanical Equipment Manufacturing.
4. CC01020 Electric Wires and Cables Manufacturing.
5. CQ01010 Mold and Die Manufacturing.
6. F106010 Wholesale of Hardware.
7. F107990 Wholesale of Other Chemical Products.
8. CB01010 Mechanical Equipment Manufacturing.
9. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
10. F401010 International Trade.
11. CC01070 Wireless Communication Mechanical Equipment Manufacturing.
12. CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing.
13. F108031 Wholesale of Medical Devices.
14. F208031 Retail Sale of Medical Apparatus.
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The re-investment total amount of the Company is not limited by the 40% of the paid-in capital.

Article 3: The Company shall have its head office in New Taipei City, R.O.C., and when it is determined to be necessary, upon the resolution of the Board of Directors, branch offices or subsidiaries may be established domestically or overseas.

Article 4: The Company may provide guarantees to related enterprises.

Article 5: The public announcement method of the Company shall be handled according to Article 28 of the Company Act.

## **Chapter 2 Shares**

Article 6: The total capital of the Company shall be NTD 6,000,000,000, divided into 600,000,000 shares, at a par value of NTD 10, and the Board of Directors is authorized to perform share issuance at discrete times. Among which 30,000,000 shares are reserved as the share subscription warrants or the share subscription warrants associated with the corporate bonds to be issued.

The subjects for the issuance of employee stock option, subjects for issuance of restricted share awards and subjects for shares reserved from new shares issuance of cash capital increase for employee subscription may include employees of affiliated companies that satisfy certain criteria, and the Board of Directors is authored to determine the criteria, issuance method and subscription method thereof.

Article 7: The share certificates of the Company shall be in registered form and signed or sealed by the Director representing the Company and shall be certified for issuance of the share certificates according to the laws. The Company may be exempted from the printing of share certificates in accordance with the provision of Article 162-2 of the Company Act; however, the shares shall be registered with the Centralized Securities Depository Enterprises.

Article 8: The administration of the shareholder services of the Company, unless otherwise specified in the laws and regulations, shall be handled according to the Regulations Governing the Administration of Shareholder Services of Public Companies published by the Securities and Futures Bureau, Financial Supervisory Commission.

Article 9: Any change and transfer registration of shares shall be prohibited within sixty days prior to the ordinary shareholders' meeting, thirty days prior to the extraordinary shareholders' meeting, or five days prior to the record date for the distribution of dividends and bonuses or other benefits by the Company.

### **Chapter 3 Shareholders' Meeting**

Article 10: The shareholder meetings are classified into two types: the ordinary shareholders' meeting and the extraordinary shareholders' meeting. The ordinary shareholders' meeting shall be convened once per year, and shall be convened by the Board of Directors according to the laws within six months after the close of each fiscal year. The extraordinary shareholders' meeting shall be convened whenever necessary according to laws.

Shareholder meetings shall be convened by the Board of Directors, and the Chairman of the Board shall be the chair of the meeting. In case where the Chairman is absent due to reasons, it shall be handled in accordance with the provision prescribed in Article 208 of the Company Act. For a shareholders' meeting convened by any person having the convening right other than the Board of Directors, the person having the convening right shall be the chair, and if there are two or more persons having the convening right, the chair of the meeting shall be elected from among themselves.

Article 11: Where a shareholder for any reasons cannot attend a shareholders' meeting in person, he shareholder may appoint a proxy to attend the shareholders' meeting on his/her/its behalf by executing a power of attorney, stating therein the scope of power authorized to the proxy. The use of proxies shall comply with the regulations of the Company Act and shall also be handled in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies announced by the competent authority.

Article 12: Unless otherwise specified in relevant laws and regulations, each shareholder shall have one voting right for each share held,

Article 13: Any resolution at a shareholders' meeting, unless otherwise specified in the Company Act, shall be adopted by a majority of the shareholders presented, who representing more than half of the total number of the company's outstanding shares, and shall be executed based on the majority of the voting rights of attending shareholders. Matters related to the resolutions of a meeting shall be recorded in meeting minutes. The meeting minutes shall be signed or sealed by the chairperson of the meeting and shall be distributed to each shareholder within twenty days after the close of the meeting. The distribution of the meeting minutes may be effected by means of a public notice.

## **Chapter 4 Board of Directors and Audit Committee**

Article 14: The Company shall have seven to nine Directors, among which the number of Independent Directors shall not be less than three and shall not be less than one fifth of the total number of Directors, and the term of office shall be three years. For the election of Directors, the candidates nomination system shall be adopted in accordance with the provision of Article 192-1 of the Company Act, and Directors are elected by the shareholders' meeting from the candidate roster, and Directors may be eligible for re-election.

Relevant matters of the professional qualification, shareholding, concurrent job position limitation and other necessary requirements shall comply with relevant regulations specified by the securities competent authority.

The Company establishes the Audit Committee in replacement of the Supervisors according to Article 14-4 of the Securities and Exchange Act. The Audit Committee shall be formed by all of the Independent Directors, and its number of members shall not be less than three, wherein one of the members shall be the convener. The exercise of functional duties of the Audit Committee and other required compliance matters shall be handled in accordance with relevant laws and regulations.

The total number of shares held by all of the Directors shall not be less than a certain percentage of the total number of issued shares, and such percentage shall comply with the requirements specified by the competent authority.

Article 15: Directors shall form the Board of Directors. With the attendance of more than two thirds of the Directors and the consents of a majority of the attending Directors, a Chairman shall be elected among the Directors. The Chairman shall represent the Company externally.

Article 16: In case the Chairman is on leave or absent or cannot exercise his/her power and authority for any cause, the proxy thereof shall be handled in accordance with the provision of Article 208 of the Company Act.

Article 17: The Board of Directors' meeting shall be held once quarterly, and when it is determined necessary, the meeting may be convened at any time. In case where a Director cannot attend the meeting due to reasons, the proxy thereof shall be handled in accordance with the provision of Article 205 of the Company Act. However, if a meeting is held via the video conference method, Directors attending the meeting through video conference shall be deemed to attend the meeting in person.

The convention of the Board of Directors' meeting shall be handled in accordance with the provision of Article 204 of the Company Act; however, in case of emergency, it may be convened at any time without written notice.

The notice for the convention of Board of Directors' meeting of the Company may be made in writing, e-mail or facsimile method to inform all Directors.

Article 18: Transportation allowance of all Directors shall be determined by the Board of Directors, and regardless whether the Company is operating at a profit or loss, it shall be paid according to the common standard adopted in the same industry. During the term of office of all Directors, the Company shall purchase liability insurances for the Directors for their indemnification liabilities within the scope of their official services according to the laws, and shall report the insurance content to the Board of Directors.

## **Chapter 5 Managerial Officers**

Article 19: The Company may have managerial officers, and the appointment, discharge and the remuneration of the managerial officers shall be handled according to Article 29 of the Company Act.

## **Chapter 6 Accounting**

Article 20: At the end of each fiscal year of the Company, the Board of Directors shall prepare the reports and statements of (I) Business report, (II) Financial statement and (III) Proposal for distribution of earnings or covering losses, for submission to the ordinary shareholder's meeting according to the law in order to request for ratification thereof.

Article 21: Where the Company has a profit after settlement (the term "profit" refers to the income before deducting the distribution of remunerations of employees and directors from the income before tax), no less than 5% thereof shall be appropriated as the remuneration of employees and no less than 0.5% thereof shall be appropriated as the remuneration of Directors, which are to be distributed after the special resolution of the Board of Directors' meeting and shall be reported to the shareholders' meeting. However, where the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first. The remuneration of employees described in the preceding paragraph may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific requirements, and the Board of Directors is authorized to establish said specific requirements.

Where there is a profit after the settlement of a fiscal year, the profit shall be distributed in accordance with the following sequence:

- (I) Compensate for previous losses
- (II) Appropriate 10% as the legal reserve
- (III) Appropriate or reverse special reserve according to other laws and regulations
- (IV) When the remaining amount refers to the distributable earnings of the current year, it is combined with the undistributed earnings of the same period at the beginning of the term as the accumulated distributable earnings, and the Board of Directors shall establish the proposal for earnings distribution according to the dividend policy specified in Paragraph 4 of this Article for submission to the shareholders' meeting for resolution and distribution accordingly.

The Company is currently at the growth stage. Regarding the Company's policy on the distribution of dividends, such policy shall be determined based on the factors of the present and future investment environment, capital demand, domestic/overseas competition and capital budget etc. along with the consideration of the shareholders' interests and the long-term financial planning. The shareholders' dividends are appropriated from the accumulated distributable earnings, which shall not be less than 15% of the distributable earnings of the current year, and the cash dividends among the shareholders' dividends shall not be less than 10%. Regarding the cash dividends and bonuses issued for all or a portion of the aforementioned cash dividends and capital reserve and legal reserve, the Board of Directors is authorized to reach a special resolution for distribution thereof, which shall also be reported to the shareholders' meeting, and the requirement for resolution of a shareholders' meeting as described in the preceding paragraph is not applicable.

## Chapter 7 Supplemental Provisions

Article 22: Any matters not specified in this Article of Incorporation shall be handled in accordance with the provisions of the Company Act.

Article 23: These Articles of Incorporation were enacted on April 5, 1971.

The first amendment was made on April 22, 1971.

The second amendment was made on May 6, 1971.

The third amendment was made on July 25, 1974.

The fourth amendment was made on January 10, 1978.

The fifth amendment was made on May 1, 1978.

The sixth amendment was made on August 19, 1980.

The seventh amendment was made on October 30, 1980.

The eighth amendment was made on December 14, 1980.

The ninth amendment was made on January 10, 1981.

The tenth amendment was made on April 7, 1981.

The eleventh amendment was made on June 28, 1982.

The twelfth amendment was made on July 19, 1982.

The thirteenth amendment was made on June 30, 1983.

The fourteenth amendment was made on January 12, 1984.

The fifteenth amendment was made on August 31, 1984.

The sixteenth amendment was made on February 18, 1986.

The seventeenth amendment was made on March 10, 1986.

The eighteenth amendment was made on January 24, 1989.

The nineteenth amendment was made on September 29, 1989.

The twentieth amendment was made on November 25, 1989.

The twenty first amendment was made on January 20, 1990.

The twenty second amendment was made on June 29, 1990.

The twenty third amendment was made on October 15, 1990.

The twenty fourth amendment was made on June 7, 1991.

The twenty fifth amendment was made on April 10, 1992.

The twenty sixth amendment was made on December 12, 1992.

The twenty seventh amendment was made on May 18, 1994.

The twenty eighth amendment was made on November 8, 1995.

The twenty ninth amendment was made on May 11, 1996.

The thirtieth amendment was made on June 26, 1997.

The thirty first amendment was made on June 2, 1998.

The thirty second amendment was made on April 12, 1999.

The thirty third amendment was made on November 30, 1999.

The thirty fourth amendment was made on June 27, 2000.

The thirty fifth amendment was made on June 10, 2002.

The thirty sixth amendment was made on June 14, 2005.

The thirty seventh amendment was made on June 14, 2006.

The thirty eighth amendment was made on June 8, 2007.

The thirty ninth amendment was made on June 10, 2009.

The fortieth amendment was made on June 8, 2010.

The forty first amendment was made on June 5, 2012.

The forty second amendment was made on June 17, 2014.

The forty third amendment was made on June 13, 2016.

The forty fourth amendment was made on June 8, 2018.

The forty fifth amendment was made on June 14, 2019.

**Pan-International Industrial Corp.**

**Chairman of the Board: Sung-Fa Lu**

- I. The shares by all of the Directors of the Company recorded in the shareholders' roster as of the register closure date (April 13, 2021) for 2021 Annual General Shareholders' Meeting are as shown in the table below.
- II. The Company has issued a total number of 518,346,282 shares, and pursuant to the provision of Article 2 of "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the minimum shareholdings of all Directors shall be 16,587,081 shares.

**Pan-International Industrial Corp.  
Director Individual Shareholding and Total Shareholdings Table**

Title	Name	Shareholdings recorded in the shareholders' roster as of the register closure date (April 13, 2021)	Shareholding Percentage	Remarks
Chairman	Sung-Fa Lu	2,035,616 shares	0.39%	
Director	Feng-An Huang	35,000 shares	0.01%	
Director	Ming-Feng Tsai	280,227 shares	0.05%	
Director	Hong Yuan International Investment Co., Ltd., Representative: Tsai-Yu Hsiao	17,941,593 shares	3.46%	
Independent Director	Min-Chang Wei	0 shares	0.00%	
Independent Director	Mien-Ching Huang	0 shares	0.00%	
Independent Director	Wen-Jung Cheng	0 shares	0.00%	
Total	All Directors	20,292,436 shares	3.91%	Reached the statutory percentage

**Impact of the distribution of bonus shares proposed in the present shareholders' meeting on the business performance of the Company and earning per share:**

There is no distribution of bonus shares in the current year; therefore, this is not applicable..