TAIWAN FU HSING INDUSTRIAL CO. LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report 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 differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

TAIWAN FU HSING INDUSTRIAL CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Taiwan Fu Hsing Industrial Co., Ltd.

Representative: LIN, DUAN-ZHANG

March 9, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19000349

To the Board of Directors and Shareholders of Taiwan Fu Hsing Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Fu Hsing Industrial Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to "other matter" section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other independent accountants are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Cut-off of export sales revenue recognition

Description

Please refer to Note 4(30) for accounting policies on revenue recognition.

The Group is primarily engaged in export. The sales revenue should be recognised when the entity has transferred to the buyer the control of the goods based on the terms of sales orders, contracts or other agreements. As the procedures for the timing of revenue recognition involves checking of sales situation and relevant documents, and those procedures were performed manually, it may have a significant effect on the appropriateness of revenue recognition near the end of the reporting period. Thus, we consider the cutoff of export sales revenue recognition as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. We understood, assessed and tested the design and the execution of internal controls on revenue recognition; and
B. We performed cut-off tests on export sales revenue for a certain period around balance sheet date, verified corroboration of sales revenue recognition, assessed the timing of revenue recognition based on trade terms to ensure the appropriateness of sales revenue recognition.

Allowance for inventory valuation losses

Description

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(5) for details of inventory valuation.

The Group recognised inventories at the lower of cost and net realisable value. As there are many types of inventory, the net realisable value which was used in the individual identification and valuation of obsolete or damage inventory, involved subjective judgement and uncertainty of estimation. Thus, we consider the allowance for inventory valuation losses as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

A. We assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates; and

B. We verified that the information on the inventory valuation loss statement was consistent with its policies, randomly checked individual inventory number and inventory clearance, and then assessed the appropriateness of allowance for inventory valuation losses.

Other matter – Scope of the audit

We did not audit the financial statements of a wholly-owned consolidated subsidiary with total assets of NT$ 635,690 thousand and NT$ 603,094 thousand as at December 31, 2019 and 2018, constituting 8% and 8% of consolidated total assets, and operating income of NT$ 281,875 thousand and NT$ 267,907 thousand, for the years then ended, constituting 3% and 3% of consolidated total operating income, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Taiwan Fu Hsing Industrial Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Wang, Kuo-Hua	Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 9, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,248,951	27	$ 1,701,955	22
1110	Financial assets at fair value through profit or loss - current	6(2)	45	-	200,140	3
1136	Current financial assets at amortised cost, net	6(3)	167,781	2	114,991	1
1150	Notes receivable, net	6(4)	29,159	-	36,434	-
1170	Accounts receivable, net	6(4)	1,476,241	18	1,470,131	19
1220	Current tax assets		12	-	14,978	-
130X	Inventories	6(5)	940,489	11	971,390	12
1476	Other current financial assets		7,187	-	15,263	-
1479	Other current assets, others	6(6)	117,304	2	128,234	2
11XX	**Current Assets**		4,987,169	60	4,653,516	59
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	277,526	3	302,044	4
1550	Investments accounted for under equity method	6(8)	4,643	-	6,747	-
1600	Property, plant and equipment	6(9) and 8	2,800,440	34	2,670,603	34
1755	Right-of-use assets	6(10)	35,426	1	-	-
1780	Intangible assets	6(11)	29,349	-	30,051	-
1840	Deferred income tax assets	6(27)	79,932	1	59,666	1
1980	Other non-current financial assets	8	31,624	-	24,784	-
1985	Long-term prepaid rents	3(1) and 6(12)	-	-	36,814	1
1990	Other non-current assets, others	6(13)	117,107	1	98,561	1
15XX	**Non-current assets**		3,376,047	40	3,229,270	41
1XXX	**Total assets**		$ 8,363,216	100	$ 7,882,786	100

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TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14)	$ 15,000	-	$ -	-
2150	Notes payable		38,788	-	112,970	1
2170	Accounts payable		1,001,835	12	1,035,036	13
2200	Other payables	6(15)	605,010	7	556,646	7
2230	Current income tax liabilities		132,942	2	135,803	2
2280	Current lease liabilities	6(30)	1,036	-	-	-
2399	Other current liabilities, others	6(16) and 8	79,129	1	69,833	1
21XX	**Current Liabilities**		1,873,740	22	1,910,288	24
	Non-current liabilities					
2540	Long-term borrowings	6(16) and 8	547,620	7	353,330	4
2570	Deferred income tax liabilities	6(27)	172,422	2	137,547	2
2640	Accrued pension liabilities	6(17)	154,190	2	156,558	2
2645	Guarantee deposits received		8,130	-	-	-
25XX	**Non-current liabilities**		882,362	11	647,435	8
2XXX	**Total Liabilities**		2,756,102	33	2,557,723	32
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(18)	1,884,521	22	1,884,521	24
	Capital surplus					
3200	Capital surplus	6(19)	567,114	7	567,114	7
	Retained earnings	6(20)				
3310	Legal reserve		1,035,700	12	966,388	12
3320	Special reserve		161,211	2	48,991	1
3350	Unappropriated retained earnings		2,074,235	25	1,888,215	24
	Other equity interest	6(21)				
3400	Other equity interest		(262,532)	(3)	(161,211)	(2)
31XX	**Equity attributable to owners of the parent**		5,460,249	65	5,194,018	66
36XX	**Non-controlling interest**		146,865	2	131,045	2
3XXX	**Total equity**		5,607,114	67	5,325,063	68
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 8,363,216	100	$ 7,882,786	100

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Sales revenue**	6(22)	$ 8,681,906	100	$ 8,303,458	100
5000	**Operating costs**	6(5)(25)(26)	(6,624,866)	(76)	(6,579,341)	(79)
5900	**Net operating margin**		2,057,040	24	1,724,117	21
	Operating expenses	6(25)(26) and 7				
6100	Selling expenses		(315,266)	(4)	(353,881)	(4)
6200	General and administrative expenses		(403,294)	(5)	(356,732)	(5)
6300	Research and development expenses		(196,710)	(2)	(186,340)	(2)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(1,888)	-	(955)	-
6000	**Total operating expenses**		(917,158)	(11)	(897,908)	(11)
6900	**Total operating profit**		1,139,882	13	826,209	10
	Non-operating income and expenses					
7010	Other income	6(23)	56,145	1	70,790	1
7020	Other gains and losses	6(24)	(31,990)	(1)	74,191	1
7050	Finance costs		(7,813)	-	(2,535)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	(2,001)	-	6,621	-
7000	**Total non-operating income and expenses**		14,341	-	149,067	2
7900	**Profit before income tax**		1,154,223	13	975,276	12
7950	Income tax expense	6(27)	(311,032)	(4)	(263,851)	(3)
8200	**Profit for the year**		$ 843,191	9	$ 711,425	9

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TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Componerts of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(17)	($ 8,134)	-	$ 737	-
8316	Unrealised gain or loss on financial assets at for value through other comprehensive income	6(7)(21)	(24,518)	-	(133,571)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	1,627	-	4,354	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(31,025)	-	(128,480)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(21)	(77,182)	(1)	(28,425)	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(77,182)	(1)	(28,425)	-
8300	**Total other comprehensive loss income for the year**		($ 108,207)	(1)	($ 156,905)	(2)
8500	**Total comprehensive income for the year**		$ 734,984	8	$ 554,520	7
	Profit, attributable to:					
8610	Owners of the parent		$ 825,693	9	$ 693,117	9
8620	Non-controlling interest		17,498	-	18,308	-
			$ 843,191	9	$ 711,425	9
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 718,516	8	$ 536,531	7
8720	Non-controlling interest		16,468	-	17,989	-
			$ 734,984	8	$ 554,520	7
	Earnings per share	6(28)				
9750	**Total basic earnings per share**		$ 4.38		$ 3.68	
9850	**Total diluted earnings per share**		$ 4.27		$ 3.58	

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
				Retained earnings			Other equity interest					
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains or loss on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2018												
Balance at January, 2018		$ 1,884,521	$ 567,114	$ 911,391	$ 48,991	$ 1,584,309	($ 118,364)	$ -	$ 156,429	$ 5,034,391	$ 117,188	$ 5,151,579
Effects of retrospective application	6(21)	-	-	-	-	37,480	-	118,949	(156,429)	-	-	-
Balance at January, 2018 after retropective adjustments		1,884,521	567,114	911,391	48,991	1,621,789	(118,364)	118,949	-	5,034,391	117,188	5,151,579
Net income for 2018		-	-	-	-	693,117	-	-	-	693,117	18,308	711,425
Other comprehensive income (loss) for 2018	6(7)(21)	-	-	-	-	5,210	(28,225)	(133,571)	-	(156,586)	(319)	(156,905)
Total comprehensive income		-	-	-	-	698,327	(28,225)	(133,571)	-	536,531	17,989	554,520
Distribution of 2017 earnings:												
Legal reserve		-	-	54,997	-	(54,997)	-	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(376,904)	-	-	-	(376,904)	-	(376,904)
Cash dividends distributed to non-controlling interest		-	-	-	-	-	-	-	-	-	(4,132)	(4,132)
Balance at December 31, 2018		$ 1,884,521	$ 567,114	$ 966,388	$ 48,991	$ 1,888,215	($ 146,589)	($ 14,622)	$ -	$ 5,194,018	$ 131,045	$ 5,325,063
2019												
Balance at January, 2019		$ 1,884,521	$ 567,114	$ 966,388	$ 48,991	$ 1,888,215	($ 146,589)	($ 14,622)	$ -	$ 5,194,018	$ 131,045	$ 5,325,063
Net income for 2019		-	-	-	-	825,693	-	-	-	825,693	17,498	843,191
Other comprehensive loss for 2019	6(7)(21)	-	-	-	-	(5,856)	(76,803)	(24,518)	-	(107,177)	(1,030)	(108,207)
Total comprehensive income		-	-	-	-	819,837	(76,803)	(24,518)	-	718,516	16,468	734,984
Distribution of 2018 earnings:												
Legal reserve		-	-	69,312	-	(69,312)	-	-	-	-	-	-
Special reserve		-	-	-	112,220	(112,220)	-	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(452,285)	-	-	-	(452,285)	-	(452,285)
Cash dividends distributed to non-controlling interest		-	-	-	-	-	-	-	-	-	(648)	(648)
Balance at December 31, 2019		$ 1,884,521	$ 567,114	$ 1,035,700	$ 161,211	$ 2,074,235	($ 223,392)	($ 39,140)	$ -	$ 5,460,249	$ 146,865	$ 5,607,114

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,154,223	$ 975,276
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss/Reversal of allowance for bad debts	12(2)	1,888	955
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(24)	24,408	(1,141)
Depreciation	6(9)(10)(25)	164,228	144,226
Amortization	6(25)	29,501	24,538
Share of profit or loss of associates and joint ventures accounted for using equity methed	6(8)	2,001	(6,621)
Dividend income	6(23)	(9,788)	(17,520)
Interest income	6(23)	(28,334)	(24,090)
Interest expense		7,813	2,535
Gain on disposal of investments	6(24)	(909)	(777)
Loss on disposal of property, plant and equipment	6(24)	1,282	5,942
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		176,596	(198,222)
Notes receivable		7,275	(719)
Accounts receivable		(20,480)	(498)
Inventories		17,632	(80,904)
Other financial assets - current		7,918	(12,566)
Other current assets - others		991	(31,987)
Changes in operating liabilities			
Notes payable		(74,182)	(149,190)
Accounts payable		(13,414)	94,222
Other payables		67,956	5,608
Other payables - related parties		-	(20,728)
Other current liabilities－others		(4,566)	4,546
Net defined benefit liability, non-current		5,766	(13,504)
Cash inflow generated from operations		1,517,805	699,381
Dividends received		9,788	66,238
Interest received		28,178	24,025
Interest paid		(8,046)	(2,348)
Income tax paid		(282,247)	(224,157)
Net cash flows from operating activities		1,265,478	563,139

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TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost	6(3)	($ 167,781)	($ 114,991)
Proceeds from disposal of financial assets at amortised cost	6(3)	114,991	113,252
Acquisition of financial assets at fair value through other comprehensive income		-	(14,800)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	7,000
Acquisition of property, plant and equipment	6(29)	(260,581)	(676,428)
Increase in prepaid equipment		(68,702)	(77,944)
Proceeds from disposal of property, plant and equipment		1,531	2,890
Acquisition of intangible assets	6(11)	(3,679)	(6,812)
(Increase) decrease in other financial assets – non-current		(7,475)	14,276
Increase in other non-current assets - others		(70,629)	(22,812)
Net cash flows used in investing activities		(462,325)	(776,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(30)	104,000	-
Decrease in short-term loans	6(30)	(89,000)	-
Payments of lease liabilities	6(30)	(2,758)	-
Proceeds from long-term debt	6(30)	260,000	290,000
Repayments of long-term debt	6(30)	(51,639)	(8,516)
Increase in guarantee deposits received		8,130	-
Cash dividends paid	6(20)	(452,285)	(376,904)
Cash dividends distributed to non-controlling interest		(648)	(4,132)
Net cash flows used in financing activities		(224,200)	(99,552)
Effect of exchange rate changes on cash and cash equivalents		(31,957)	(21,499)
Net increase (decrease) in cash and cash equivalents		546,996	(334,281)
Cash and cash equivalents at beginning of year	6(1)	1,701,955	2,036,236
Cash and cash equivalents at end of year	6(1)	$ 2,248,951	$ 1,701,955

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Taiwan Fu Hsing Industrial Co., Ltd. (the 'Company') was incorporated as a company limited by shares on November 23, 1957. The Company is engaged in the sales and manufacture of door locks and related accessories and furniture.

The Company has been a listed company since March 15, 1995.

The main activities of the Company and its subsidiaries (collectively referred herein as the 'Group') are provided in Note 4(3).

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ('IFRSs') as endorsed by the Financial Supervisory Commission ('FSC')

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $3,540, increased 'lease liability' by $3,540 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 2.60%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognised on January 1, 2019.

F. The Group obtained certain land use rights, which qualified for long-term operating lease and had previously been classified as 'long-term prepaid rents' under the principles of IAS 17, 'Leases', from the local government in China. The land use rights amounting to $36,814 was transferred to 'right-of-use assets' from 'long-term prepaid rents' on the initial application of IFRS 16.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the 'IFRSs').

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2019	December 31, 2018	Description
The Company	Fortress Industrial Co., Ltd.	Sales and manufacture of door locks, transom closers and floor springs	100	100	
	Master United Investment Group Ltd.	Investment holdings	100	100	
	Formflex Enterprise Co., Ltd.	Investment holdings	100	100	
	Fu Hsing Americas Inc.	Sales of door locks and related accessories	100	100	
	Arctek Industrial Co., Ltd.	Sales and manufacture of transom closers and floor springs	70	70	
	Hundure Technology Co., Ltd.	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	51	51	
	Techform Industrial Co., Ltd.	Processing of hardware products	100	100	
	Arctek Technology Ltd.	Investment holdings	-	100	Note 1
	Sunion Technology Co., Ltd.	Sales and manufacture of electronic lock parts	100	-	Note 2

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	100	100	
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Sales and manufacture of transom closers and floor springs	70	70	
Master United Investment Group Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories	100	100	
Ziyong Hardware Products (Taicang) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	100	100	
Formflex Enterprise Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Sales and manufacture of high quality hardware parts	100	100	
	Fortune Industrial Ltd.	Investment holdings	51	51	
Fortune Industrial Ltd.	Changshu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic products	100	100	

Note 1: The investee was approved to cancel its registration on October 23, 2019.

Note 2: The investee was a wholly-owned domestic subsidiary that was approved to be established in August 2019 through reinvestment.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts receivable and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for under the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

C. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	25 ～ 55 years
Machinery and equipment	4 ～ 15 years
Molds	2 ～ 8 years
Other equipment	2 ～ 11 years

(16) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leased assets/ leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Specialised skills are initially recorded at cost and are amortised on a straight-line basis over its estimated useful life.

C. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(19) Long-term prepaid rents

Prior to 2019

Long-term prepaid rents are the valuable consideration paid for specific right of land in Mainland China, and are amortised on a straight-line basis over its useful life of 50 years.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Non-hedge derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

Sales of goods

A. The Group manufactures and sells door locks and related accessories and furniture. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer based on the agreed terms, the customer has full discretion over the usage of the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The products are often sold with sales discounts based on aggregate sales over a one-year period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts using the expected value method. A refund liability (shown as 'other payables') is recognised for expected sales discounts payable to customers in relation to sales made until the end of the reporting period.

C. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was $940,489.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash:		
Cash on hand and revolving funds	$ 1,092	$ 1,021
Checking and demand deposits	926,337	787,344
	927,429	788,365
Cash equivalents:		
Time deposits	1,321,522	913,590
	$ 2,248,951	$ 1,701,955

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

(2) Financial assets at fair value through profit or loss-current

Item	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value		
Beneficiary certificates	$ -	$ 200,000
Valuation adjustment	-	12
	$ -	$ 200,012
Financial assets held for trading		
Valuation adjustment of non-hedging derivatives	45	128
	$ 45	$ 200,140

A. The information on financial assets at fair value through profit or loss recognised in net gains and losses is provided in Note 6(24).

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2019	
Derivative Financial Assets	Contract amount (notional principal)	Contract period
Forward foreign contracts	USD 500 thousand	2020.01

	December 31, 2018	
Derivative Financial Assets	Contract amount (notional principal)	Contract period
Forward foreign contracts	USD 2,000 thousand	2019.01

The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to credit risk of financial asset at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits with original maturity date	$ 167,781	$ 114,991

A. Information on interest income from time deposits recognised under interest income from bank deposits is provided in Note 6(23).

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $167,781 and $114,991, respectively.

C. The Group no financial assets at amortised cost pledged to others.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 29,187	$ 36,474
Less: Allowance for bad debts	(28)	(40)
	$ 29,159	$ 36,434
Accounts receivable	$ 1,479,170	$ 1,471,178
Less: Allowance for bad debts	(2,929)	(1,047)
	$ 1,476,241	$ 1,470,131

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2019		December 31, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 29,187	$ 1,416,045	$ 36,474	$ 1,410,515
Up to 30 days	-	59,817	-	59,441
31 to 60 days	-	1,410	-	446
61 to 90 days	-	245	-	188
91 to 180 days	-	967	-	186
181 to 360 days	-	614	-	206
Over 360 days	-	72	-	196
	$ 29,187	$ 1,479,170	$ 36,474	$ 1,471,178

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $1,515,204.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable were $29,159 and $36,434, $1,476,241 and $1,470,131 respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2019		
	Cost	Allowance	Book value
Raw materials	$ 170,944	($ 4,989)	$ 165,955
Work in process	461,504	(43,973)	417,531
Finished goods	384,787	(27,784)	357,003
	$ 1,017,235	($ 76,746)	$ 940,489

	December 31, 2018		
	Cost	Allowance	Book value
Raw materials	$ 193,669	($ 4,832)	$ 188,837
Work in process	394,938	(35,544)	359,394
Finished goods	445,436	(22,277)	423,159
	$ 1,034,043	($ 62,653)	$ 971,390

The cost of inventories recognised as expense for the years ended December 31, 2019 and 2018 was $6,624,866 and $6,579,341, respectively, including the amount of $14,093 of cost of sales recognised for writing down the inventory cost to net realisable value in 2018; and including the amount of $2,256 of cost of sales decrease arising from the increase of net realisable value because the inventories were scrapped or sold in 2018 which were previously provisioned inventory valuation losses.

(6) Other assets-current

	December 31, 2019	December 31, 2018
Prepayments	$ 67,692	$ 84,828
Tax refund receivable	35,000	22,222
Other current assets	14,612	21,184
	$ 117,304	$ 128,234

(7) Financial assets at fair value through other comprehensive income

Item	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed (TSE and OTC) stocks	$ 253,386	$ 253,386
Unlisted stocks	63,280	63,280
	316,666	316,666
Valuation adjustment	(39,140)	(14,622)
	$ 277,526	$ 302,044

A. The Group has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $277,526 and $302,044 as at December 31, 2019 and 2018, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 24,518)	($ 133,571)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	$ -	$ -
Dividend income recognised in profit or loss		
Held at end of year	$ 9,788	$ 17,520
Derecognised during the year	-	-
	$ 9,788	$ 17,520

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $277,526 and $302,044, respectively.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(8) Investments accounted for under the equity method

	December 31, 2019		December 31, 2018	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Associates :				
ALLEGION FU HSING LIMITED	$ 4,643	49%	$ 6,747	49%

A. As of December 31, 2019 and 2018, the Group had no significant associates.

B. The carrying amount of the Group’s interests in all individually immaterial associates and the Group’s share of the operating results are summarised below:

As of December 31, 2019 and 2018, the carrying amount of the Group’s individually immaterial associates amounted to $4,643 and $6,747, respectively.

	For the years ended December 31,	
	2019	2018
(Loss) profit for the year	($ 2,001)	$ 6,621
Other comprehensive income, net	-	-
Total comprehensive (loss) income for the year	($ 2,001)	$ 6,621

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
At January 1, 2019							
Cost	$ 1,057,341	$ 842,674	$ 810,976	$ 103,808	$ 252,863	$ 681,192	$ 3,748,854
Accumulated depreciation and impairment	-	(394,480)	(460,582)	(63,485)	(159,704)	-	(1,078,251)
	$ 1,057,341	$ 448,194	$ 350,394	$ 40,323	$ 93,159	$ 681,192	$ 2,670,603
2019							
Opening net book amount as at January 1	$ 1,057,341	$ 448,194	$ 350,394	$ 40,323	$ 93,159	$ 681,192	$ 2,670,603
Additions	6,553	35,594	130,582	15,248	33,668	23,906	245,551
Disposals - cost	-	(786)	(30,011)	(14,534)	(14,731)	-	(60,062)
Reclassifications	-	452,891	225,767	6,133	7,843	(625,295)	67,339
Depreciation charge	-	(35,397)	(70,492)	(25,014)	(29,487)	-	(160,390)
Disposals - accumulated depreciation	-	771	28,195	14,448	13,835	-	57,249
Net exchange differences	(370)	(8,532)	(8,933)	(114)	(1,472)	(429)	(19,850)
Closing net book amount as at December 31, 2019	$ 1,063,524	$ 892,735	$ 625,502	$ 36,490	$ 102,815	$ 79,374	$ 2,800,440
At December 31, 2019							
Cost	$ 1,063,524	$ 1,314,233	$ 1,114,411	$ 109,755	$ 273,722	$ 79,374	$ 3,955,019
Accumulated depreciation and impairment	-	(421,498)	(488,909)	(73,265)	(170,907)	-	(1,154,579)
	$ 1,063,524	$ 892,735	$ 625,502	$ 36,490	$ 102,815	$ 79,374	$ 2,800,440

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
At January 1, 2018							
Cost	$ 902,513	$ 792,450	$ 777,694	$ 95,714	$ 244,144	$ 354,731	$ 3,167,246
Accumulated depreciation and impairment	-	(369,023)	(443,342)	(54,419)	(161,364)	-	(1,028,148)
	$ 902,513	$ 423,427	$ 334,352	$ 41,295	$ 82,780	$ 354,731	$ 2,139,098
2018							
Opening net book amount as at January 1	$ 902,513	$ 423,427	$ 334,352	$ 41,295	$ 82,780	$ 354,731	$ 2,139,098
Additions	139,468	66,454	55,457	16,288	37,446	344,790	659,903
Disposals - cost	-	(513)	(46,523)	(13,349)	(29,983)	-	(90,368)
Reclassifications	15,075	(10,755)	34,963	5,631	3,935	(17,308)	31,541
Depreciation charge	-	(29,294)	(63,040)	(22,780)	(29,112)	-	(144,226)
Disposals - accumulated depreciation	-	411	38,909	13,321	28,895	-	81,536
Net exchange differences	285	(1,536)	(3,724)	(83)	(802)	(1,021)	(6,881)
Closing net book amount as at December 31, 2018	$ 1,057,341	$ 448,194	$ 350,394	$ 40,323	$ 93,159	$ 681,192	$ 2,670,603
At December 31, 2018							
Cost	$ 1,057,341	$ 842,674	$ 810,976	$ 103,808	$ 252,863	$ 681,192	$ 3,748,854
Accumulated depreciation and impairment	-	(394,480)	(460,582)	(63,485)	(159,704)	-	(1,078,251)
	$ 1,057,341	$ 448,194	$ 350,394	$ 40,323	$ 93,159	$ 681,192	$ 2,670,603

A. No borrowing costs was capitalized for the years ended December 31, 2019 and 2018.
B. The significant components of buildings include main plants and renovations, which are depreciated over 55 and 25 years, respectively.
C. Information on property, plant and equipment pledged to others as collaterals, please refer to Note 8.
D. As of December 31, 2019 and 2018, the Group’s accumulated impairment balance was both $1,349. For the years ended December 31, 2019 and 2018, no impairment loss was recognised.

(10) Lease transactions－lessee

Effective 2019

A. Except for the certain 50-year land use rights that the Group’s subsidiary obtained from local government in China, the Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as sublease and relend purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019 Carrying amount	Year ended December 31, 2019 Depreciation charge	Januay 1, 2019 Carrying amount
Land	$ 34,390	$ 974	$ 36,814
Buildings	1,036	2,864	3,540
	$ 35,426	$ 3,838	$ 40,354

C. For the year ended December 31, 2019, the addition to right-of-use assets was $254.

D. Information on profit or loss in relation to lease contracts is as follows:

Items affecting profit or loss	Year ended December 31, 2019
Interest expense on lease liabilities	$ 119

E. For the year ended December 31, 2019, the Group’s total cash outflow for leases was $2,877.

(11) Intangible assets

	Goodwill	Software	Patent	Total
At January 1, 2019				
Cost	$ 126,539	$ 10,074	$ 1,285	$ 137,898
Accumulated amortization and impairment	(102,869)	(4,957)	(21)	(107,847)
	$ 23,670	$ 5,117	$ 1,264	$ 30,051
2019				
At January 1	$ 23,670	$ 5,117	$ 1,264	$ 30,051
Additions	-	3,349	330	3,679
Amortization charge	-	(4,059)	(279)	(4,338)
Net exchange differences	-	(43)	-	(43)
December 31	$ 23,670	$ 4,364	$ 1,315	$ 29,349
December 31, 2019				
Cost	$ 126,539	$ 13,259	$ 1,615	$ 141,413
Accumulated amortization and impairment	(102,869)	(8,895)	(300)	(112,064)
	$ 23,670	$ 4,364	$ 1,315	$ 29,349

	Goodwill	Software	Patent	Total
At January 1, 2018				
Cost	$ 126,539	$ 62,350	$ -	$ 188,889
Accumulated amortization and impairment	(102,869)	(59,220)	-	(162,089)
	$ 23,670	$ 3,130	$ -	$ 26,800
2018				
At January 1	$ 23,670	$ 3,130	$ -	$ 26,800
Additions	-	5,527	1,285	6,812
Amortization charge	-	(3,517)	(21)	(3,538)
Net exchange differences	-	(23)	-	(23)
December 31	$ 23,670	$ 5,117	$ 1,264	$ 30,051
December 31, 2018				
Cost	$ 126,539	$ 10,074	$ 1,285	$ 137,898
Accumulated amortization and impairment	(102,869)	(4,957)	(21)	(107,847)
	$ 23,670	$ 5,117	$ 1,264	$ 30,051

A. Details of amortization on intangible assets are as follows:

	For the years ended December 31,			
	2019		2018	
Operating costs	$	574	$	297
Selling expenses		69		70
Administrative expenses		2,349		2,105
Research and development expenses		1,346		1,066
	$	4,338	$	3,538

B. No borrowing costs was capitalized for the years ended December 31, 2019 and 2018.

C. Goodwill

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets estimated by the management covering a five-year period, including the considered gross profit rate, growth rate and discount rate.

The management determines expected gross profit margin based on prior performances and expectations to market development. Weighted-average growth rate adopted is in agreement with expectations stated in the industry report. The discount rate adopted is pretax rate and reflects specific risks of related operating segments.

D. The Group has no intangible assets pledged to others.

E. As of December 31, 2019 and 2018, the Groups balance of accumulated impairment was both $102,869.

(12) Long-term prepaid rents

Effective 2018

	December 31, 2018	
Land use right	$	36,814

A. The Group's subsidiary - Ziyong Hardware Products (Taicang) Co., Ltd., has signed a right of land contract with Taicang City Land Resources Bureau in 2007 and 2009 for the land in Chengxiang Town Limin Community with a duration of 50 years. The rent has been paid in full before the payment due date. The rent expenses recognized for the year ended December 31, 2018 were $638.

B. The Group's subsidiary - Formflex Metal Industrial (Changshu) Co., Ltd., has signed a right of land contract with Changshu City Land Resources Bureau in 2006 and 2010 for the land in Changshu New & Hi-tech Industrial Development Zone with a duration of 50 years. The rent has been paid in full before the payment due date. The rent expense recognized for the year ended December 31, 2018 was $355.

(13) Other non-current assets-other

	December 31, 2019	December 31, 2018
Prepayment for business facilities	$ 72,913	$ 71,603
Other non-current assets	44,194	26,958
	$ 117,107	$ 98,561

(14) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Unsecured borrowings	$ 15,000	1.60%	None

A. Interest expense recognised in profit or loss amounted to $8 for the year ended December 31, 2019.

B. There was no such event for the year ended December 31, 2018.

(15) Other payables

	December 31, 2019	December 31, 2018
Salaries and bonus	$ 376,821	$ 323,444
Refund liabilities	43,866	32,401
Business tax payable	19,862	23,264
Payable on construction and equipment	14,056	29,086
Employee benefits	12,560	13,054
Directors' and supervisors' remuneration	17,632	16,010
Others	120,213	119,387
	$ 605,010	$ 556,646

(16) Long-term borrowings／Long-term borrowings, current portion (recorded as ‘other current liabilities’)

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2019
Long-term bank borrowings			
Secured borrowings	From July 2017 to July 2024, the principal payments are repaid monthly starting from a year later and the interests are paid monthly.	Land, buildings and structures	$ 73,060
Secured borrowings	From June 2018 to June 2033, the principal payments are repaid monthly from two years later and the interests are paid monthly.	Land, buildings and structures	70,000
Secured borrowings	From December 2018 to October 2038, the principal payments and the interests are both paid monthly.	Land, buildings and structures	301,355
Unsecured borrowings	From October 2018 to October 2038, the principal payments and the interests are both paid monthly.		142,430
			586,845
	Less : Long-term borrowings, current portion (recorded as ‘other current liabilities’-others)		(39,225)
			$ 547,620
	Interest rate range		1.45%~1.50%

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2018
Long-term bank borrowings			
Secured borrowings	From July 2017 to July 2024, the principal payments are repaid monthly starting from a year later and the interests are paid monthly.	Land, buildings and structures	$ 89,020
Secured borrowings	From June 2018 to June 2033, the principal payments are repaid monthly from two years later and the interests are paid monthly.	Land, buildings and structures	90,000
Secured borrowings	From December 2018 to October 2038, the principal payments and the interests are both paid monthly.	Land, buildings and structures (Note)	50,000
Unsecured borrowings	From October 2018 to October 2038, the principal payments and the interests are both paid monthly.		149,464
			378,484
	Less : Long-term borrowings, current portion (recorded as 'other current liabilities'-others)		(25,154)
			$ 353,330
	Interest rate range		1.45%~1.50%

Note: As of December 31, 2018, as the acceptance has not been completed, the land, buildings and structures were recognised under 'construction in progress' .

(17) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2019	December 31, 2018
Present value of funded obligations	$ 460,332	$ 512,877
Fair value of plan assets	(306,142)	(356,319)
Net defined benefit liability	$ 154,190	$ 156,558

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 512,877	($ 356,319)	$ 156,558
Current service cost	4,275	-	4,275
Interest expense (income)	5,129	(3,564)	1,565
	522,281	(359,883)	162,398
Remeasurements:			
Return on plan assets	-	(12,590)	(12,590)
Change in financial assumptions	11,444	-	11,444
Experience adjustments	9,280	-	9,280
	20,724	(12,590)	8,134
Pension fund contribution	-	(16,342)	(16,342)
Paid pension	(82,673)	82,673	-
Balance at December 31	$ 460,332	($ 306,142)	$ 154,190

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 513,595	($ 342,796)	$ 170,799
Current service cost	6,059	-	6,059
Interest expense (income)	5,650	(3,771)	1,879
	525,304	(346,567)	178,737
Remeasurements:			
Return on plan assets	-	(9,742)	(9,742)
Change in financial assumptions	4,727	-	4,727
Experience adjustments	4,278	-	4,278
	9,005	(9,742)	(737)
Pension fund contribution	-	(21,442)	(21,442)
Paid pension	(21,432)	21,432	-
Balance at December 31	$ 512,877	($ 356,319)	$ 156,558

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%	1.00%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation				
December 31, 2019	($ 9,570)	$ 9,919	$ 8,633	($ 8,387)
December 31, 2018	($ 11,689)	$ 12,125	$ 10,623	($ 10,312)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to $14,503.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) Ziyong Hardware Products (Taicang) Co., Ltd., Arctek Security Technologies (Shanghai) Co., Ltd, Formflex Metal Industrial (Changshu) Co., Ltd. and Changshu Fortune Packing Material Co., Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $52,160 and $50,401, respectively.

(18) Share capital

A. As of December 31, 2019 and 2018, the Company's authorized capital was $2,424,000, consisting of 242,400 thousand shares of common stock (of which 10 million shares are reserved for the issuance of stock warrants and preferred shares with stock warrants and corporate bonds with stock warrants), at a par value of $10 (in dollars) per share. One share has a voting right, and total shares issued are 188,452 thousand shares.

B. The beginning and ending amount of the Company's outstanding common stocks were both 188,452 thousand shares.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

A Where the Company accrues profit every year, after paying all regulatory taxes and dues, 10% of the earnings should be set aside as legal reserve. Then after recognising or reversing special reserve in compliance with laws or regulations of competent authority, distribution of the remaining can be proposed by the Board of Directors to be resolved at shareholders' meeting. Where the legal reserve equals with total capital, the appropriation is not necessary.

The Company's dividend distribution policy aligns with the future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year the dividend must not be less than 30% of earnings. The dividend and bonus can be distributed in cash or shares, among which the cash dividend must not be less than 50% of the appropriated dividend.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying provision for land revaluation increment to retained earnings as of December 31, 2019 and 2018 were both $48,991.

D. On June 21, 2019 and June 22, 2018, the shareholders resolved that distribution of dividends for ordinary shares and total dividends were $2.4 (in dollars) per share and $452,285, $2 (in dollars) per share and $376,904, respectively. On March 9, 2020, the Board of Directors proposed to distribute dividends of NT$2.6 (in dollars) per share totaling $489,976.

(21) Other equity items

	2019		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1,	($ 146,589)	($ 14,622)	($ 161,211)
Revaluation	-	(24,518)	(24,518)
Currency translation differences:			
－Exchange differences on translation of net assets in foreign operations	(76,803)	-	(76,803)
At December 31,	($ 223,392)	($ 39,140)	($ 262,532)

	2018		
	Currency translation	Unrealised gains (losses) on valuation (Note)	Total
At January 1,	($ 118,364)	$ 156,429	$ 38,065
Effects of retrospective application	-	(37,480)	(37,480)
At January 1, 2018 adjusted	(118,364)	118,949	585
Revaluation	-	(133,571)	(133,571)
Currency translation differences:			
－Exchange differences on translation of net assets in foreign operations	(28,225)	-	(28,225)
At December 31,	($ 146,589)	($ 14,622)	($ 161,211)

Note: The balance at January 1 is the balance of unrealised gains (losses) on available-for-sale financial assets.

(22) Operating revenue

The Group derives revenue all from contracts with customers and mainly from the transfer of goods at a point in time in the following major product lines and geographical regions:

	2019		
External customer region	Asia segment	US segment	Total
US	$ 5,812,436	$ 131,320	$ 5,943,756
Asia	1,890,115	-	1,890,115
Europe	472,656	-	472,656
Other	375,379	-	375,379
	$ 8,550,586	$ 131,320	$ 8,681,906

	2018		
External customer region	Asia segment	US segment	Total
US	$ 5,227,764	$ 158,176	$ 5,385,940
Asia	2,042,157	-	2,042,157
Europe	478,581	-	478,581
Other	396,780	-	396,780
	$ 8,145,282	$ 158,176	$ 8,303,458

(23) Other income

	For the years ended December 31,	
	2019	2018
Dividend income	$ 9,788	$ 17,520
Interest income:		
Interest income from bank deposits	28,334	24,090
Other income	18,023	29,180
	$ 56,145	$ 70,790

(24) Other gains and losses

	For the years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	($ 1,282)	($ 5,942)
Gain on disposal of investments	909	777
Net currency exchange (loss) gain	(3,424)	81,427
Net (loss) gain on financial assets at fair value through profit or loss	(24,408)	1,141
Other losses	(3,785)	(3,212)
	($ 31,990)	$ 74,191

(25) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expense	$ 1,616,132	$ 1,451,027
Depreciation charges on property, plant and equipment	160,390	144,226
Depreciation charges on right-of-use assets	3,838	-
Amortisation	29,501	24,538
	$ 1,809,861	$ 1,619,791

(26) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	$ 1,377,155	$ 1,224,063
Labor and health insurance fees	104,129	95,454
Pension costs	58,000	58,339
Other personnel expenses	76,848	73,171
	$ 1,616,132	$ 1,451,027

A. According to the Articles of Incorporation of the Company, when distributing earnings, the ratio of distributable profit of the current year shall not be lower than 5% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration. If a company has accumulated deficit, earnings should be channeled to cover losses.

Employees' compensation (bonus) can be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash. The requirements are determined by the Chairman of Board of Directors.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $196,965 and $160,859, respectively; while directors' and supervisors' remuneration was accrued at $16,302 and $14,820, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2019, the Board of Directors estimated the employees' compensation and directors' and supervisors' remuneration based on the Company's Articles of Incorporation and operating performance, and the employees' compensation will be distributed in the form of cash. In addition, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors for the year ended December 31, 2019 were $196,965 and $16,302, respectively, and has no material differences with those amounts recognised in the 2019 financial statements.

The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors for the year ended December 31, 2018 were $162,156 and $14,820, respectively, and has no material differences with those amounts recognised in the 2018 financial statements. The differences were adjusted in profit or loss in 2019.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 285,099	$ 216,566
10% tax on unappropriated earnings	4,265	10,514
Prior year income tax under estimation	5,432	1,747
Total current tax	294,796	228,827
Deferred tax:		
Origination and reversal of temporary differences	16,236	29,459
Impact of change in tax rate	-	5,565
Total deferred tax	16,236	35,024
Income tax expense	$ 311,032	$ 263,851

(b) The income tax (charge) /credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	$ 1,627	($ 147)
Impact of change in tax rate	-	4,501
	$ 1,627	$ 4,354

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 314,338	$ 267,036
Effect of amount not allowed to be recognised under the regulations	(13,003)	(15,446)
Additional 10% tax on undistributed earnings	4,265	10,514
Prior year income tax underestimation	5,432	1,747
Income tax expense	$ 311,032	$ 263,851

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	$ 31,312	($ 2,100)	$ 1,627	$ 30,839
Loss on obsolete and slow-moving and market price decline of inventories	8,052	1,646	-	9,698
Accrued unused compensated absences	4,602	540	-	5,142
Accrued sales returns and discounts	6,480	2,293	-	8,773
Unrealised exchange loss	3,675	5,163	-	8,838
Others	5,545	(2,019)	-	3,526
Tax losses	-	13,116	-	13,116
	59,666	18,639	1,627	79,932
Deferred tax liabilities:				
Revaluation increments	(41,619)	-	-	(41,619)
Investment income	(95,295)	(34,909)	-	(130,204)
Others	(633)	34	-	(599)
	(137,547)	(34,875)	-	(172,422)
	($ 77,881)	($ 16,236)	$ 1,627	($ 92,490)

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	$ 28,884	($ 1,926)	$ 4,354	$ 31,312
Loss on obsolete and slow-moving and market price decline of inventories	7,358	694	-	8,052
Accrued unused compensated absences	2,728	1,874	-	4,602
Accrued sales returns and discounts	6,174	306	-	6,480
Unrealised exchange loss	4,221	(546)	-	3,675
Others	784	4,761	-	5,545
	50,149	5,163	4,354	59,666
Deferred tax liabilities:				
Revaluation increments	(41,619)	-	-	(41,619)
Investment income	(55,741)	(39,554)	-	(95,295)
Others	-	(633)	-	(633)
	(97,360)	(40,187)	-	(137,547)
	($ 47,211)	($ 35,024)	$ 4,354	($ 77,881)

D. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

	December 31, 2019			
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
Subsidiary-Sunion Technology Co., Ltd.				
2019	$ 1,731	$ 1,731	$ -	2029
Subsidiary-TONG SING Co., Ltd.				
2017~2019	69,304	69,304	5,456	2027~2029
Subsidiary-ARCTEK TECHNOLOGY LIMITED				
2015~2019	83,842	83,842	83,842	2020~2024
Total	$ 154,877	$ 154,877	$ 89,298	

	December 31, 2018			
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
Subsidiary-ARCTEK TECHNOLOGY LIMITED				
2014~2018	$ 100,706	$ 100,706	$ 100,706	2019~2023

E. As of the report date, the Company's income tax returns through 2017 have been assessed and approved by the Tax Authority. There were no disputes between the Company and the Tax Authority.

(28) Earnings per share

	For the year ended December 31, 2019		
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 825,693	188,452	$ 4.38
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 825,693	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	4,867	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 825,693	193,319	$ 4.27

	For the year ended December 31, 2018		
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 693,117	188,452	$ 3.68
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 693,117	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	5,012	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 693,117	193,464	$ 3.58

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31, 2019	2018
Increase in property, plant and equipment	$ 245,551	$ 659,903
Add: Opening balance of payable on construction and equipment (recorded as 'other payables')	29,086	45,611
Less: Ending balance of payable on construction and equipment (recorded as 'other payables')	(14,056)	(29,086)
Cash paid for purchases of property, plant and equipment	$ 260,581	$ 676,428

B. Financing activities with no cash flow effects:

	For the years ended December 31, 2019	2018
Prepayments for equipment being converted to property, plant and equipment	$ 67,339	$ 31,541
Long-term borrowings, current portion (recorded as 'other current liabilities'-others)	$ 39,225	$ 25,154

(30) Changes in liabilities from financing activities

	At January 1, 2019	Change in cash flow	Changes in other non-cash items	At December 31, 2019
Short-term borrowings	$ -	$ 15,000	$ -	$ 15,000
Lease liability (current and non-current)	3,540	(2,758)	254	1,036
Long-term borrowings (Note)	378,484	208,361	-	586,845
Liabilities from financing activities-gross	$ 382,024	$ 220,603	$ 254	$ 602,881

	At January 1, 2018	Change in cash flow	At December 31, 2018
Long-term borrowings (Note)	$ 97,000	$ 281,484	$ 378,484
Liabilities from financing activities-gross	$ 97,000	$ 281,484	$ 378,484

Note: The long-term borrowings (including current portion) (shown as other current liabilities, others)

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
ALLEGION FU HSING LIMITED (ALLEGION)	Associate

(2) Significant related party transactions and balances

Services expenses (recorded as 'selling expenses')

	For the years ended December 31,	
	2019	2018
Associates:		
ALLEGION	$ -	$ 20,983

Prices and terms of services rendered by associates are determined by mutual agreements.

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 68,824	$ 65,533
Post-employment benefits	594	975
	$ 69,418	$ 66,508

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Land	$ 377,257	$ 377,257	Collateral for long-term borrowings
Net value of buildings and structure	555,671	81,184	Collateral for long-term borrowings
Construction in progress	34,802	477,764	Collateral for long-term borrowings
Refundable deposits (recorded as 'other financial assets-non-current')	12,043	6,602	Guarantee for imports and derivative financial products
	$ 979,773	$ 942,807	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Unused letters of credit:

	December 31, 2019	December 31, 2018
Purchase of materials and equipment	$ 21,499	$ 30,649

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 49,093	$ 254,442

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of earnings for 2019 was resolved by the Board of Directors on March 9, 2020. Details are provided in Note 6(20).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital needed for expanding and upgrading plants and equipment, the Group's management shall ensure that there are necessary financial resources and operating plans to support operations, capital expenditures, research and development expenses, debt repayment and dividend payment in the next 12 months.

The Group uses debt ratio to control capital. The Group's policy is to maintain a stable debt ratio and the ratios are as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 2,756,102	$ 2,557,723
Total assets	$ 8,363,216	$ 7,882,786
Debt ratio	33%	32%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 45	$ 200,140
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 277,526	$ 302,044
Financial assets at amortised cost		
Cash and cash equivalents	$ 2,248,951	$ 1,701,955
Financial assets at amortised cost	167,781	114,991
Notes receivable	29,159	36,434
Accounts receivable	1,476,241	1,470,131
Other financial assets (current and non-current)	38,811	40,047
	$ 3,960,943	$ 3,363,558

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 15,000	$ -
Notes payable	38,788	112,970
Accounts payable	1,001,835	1,035,036
Other accounts payable	605,010	556,646
Long-term borrowings (including current portion)	586,845	378,484
	$ 2,247,478	$ 2,083,136
Lease liability (current and non-current)	$ 1,036	$ -

B. Financial risk management policies

In order to control effectively and decrease financial risk, the directors of the Group focus on identifying, evaluating and hedging market uncertainties to minimise potential adverse effects from markets on the Group's financial performance. The risk includes market risk (including foreign exchange risk, interest rate risk and other price risk); credit risk and liquidity risk. Risk management is carried out by related segments under approved policies.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to prevent decrease in value of assets denominated in foreign currencies and estimated future cash flows fluctuation by foreign currency exchange, the Group hedges currency risk through derivative financial instruments (including forward exchange agreements). These derivative financial instruments assist in decreasing foreign currency fluctuation but cannot eliminate the impact.

ii. The Group's strategic investment is to hold certain investments in foreign operations, thus, the Group does not hedge the investment.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 54,439	$ 29.98	$ 1,632,081
EUR:NTD	629	33.59	21,128
USD:RMB	34,183	6.98	1,024,806
RMB:NTD	30,851	4.29	132,351
AUD:NTD	915	21.01	19,224
Non-monetary items			
Investments accounted for using equity method			
USD:NTD	63,693	29.98	1,924,791
Financial liabilities			
Monetary items			
USD:NTD	9,777	29.98	293,114
USD:RMB	1,881	6.98	56,392
RMB:NTD	25,005	4.29	107,271

	December 31, 2018		
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 45,224	$ 30.72	$ 1,389,281
EUR:NTD	291	35.20	10,243
USD:RMB	37,434	6.87	1,149,972
RMB:NTD	26,730	4.47	119,483
Non-monetary items			
Investments accounted for using equity method			
USD:NTD	59,095	30.72	1,827,319
Financial liabilities			
Monetary items			
USD:NTD	18,321	30.72	562,821
USD:RMB	3,631	6.87	111,544

iv. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to ($3,424) and $81,427, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 16,321	$ -
EUR:NTD	1%	211	-
USD:RMB	1%	10,248	-
RMB:NTD	1%	1,324	-
AUD:NTD	1%	192	-
Non-monetary items			
Investments accounted for using equity			
USD:NTD	1%	-	19,248
Financial liabilities			
Monetary items			
USD:NTD	1%	2,931	-
USD:RMB	1%	564	-
RMB:NTD	1%	1,073	-

	For the year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 13,893	$ -
EUR:NTD	1%	102	-
USD:RMB	1%	11,500	-
RMB:NTD	1%	1,195	-
Non-monetary items			
Investments accounted for using equity			
USD:NTD	1%	-	18,273
Financial liabilities			
Monetary items			
USD:NTD	1%	5,628	-
USD:RMB	1%	1,115	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss (and) financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, it is expected that significant price risk would not happen as the Group had assessed the bearable price risk at the time of investing and managed with proper authorisation.

ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $0 and $10,001, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $13,876 and $15,102, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Interest rate risk

The Group's long-term borrowing are floating-rate debt, therefore the effective interest rate of its long-term borrowings will vary according to changes in market interest rates, creating fluctuations in future cash flows. If the market interest rate decreases by 100 basis points, the cash outflows for the years ended December 31, 2019 and 2018, will decrease by $5,868 and $3,785, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group's treasury measures and control credit risk of deposits with banks, fixed investment income and other financial instruments. The Group's clients and performing parties are banks with good credit quality or financial institutions and companies with investment, thus, the possibility of default is remote and the credit risk is insignificant.

iii. The Group manages their credit risk taking into consideration the entire group's concern. To maintain quality of accounts receivable, the Group has established procedures relating to credit risk management. Individual customers' risk assessment considers several factors that may influence the customers' ability to pay, such as the customer's financial position, historical transactions and current economic situation. Individual risk limits are set based on internal or external ratings in accordance with limits set by the sales department. The utilisation of credit limits is regularly monitored. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance to reduce credit risk of specific customers.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. As of December 31, 2019 and 2018, the Group assesses the default possibility of accounts receivable for its customers: The provision for not past due and up to 30 days past due both was 0.01% and 0.10%, respectively; The provision for 31 to 360 days past due was 25%～50%; And the provision for past due over a year was 100%. In addition, so far, the Group's balance of receivables past due over 31 days constitutes 0.22% of total receivables.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 1,047	$ 40
Provision for impairment	1,888	-
Write-offs	(6)	(12)
At December 31	$ 2,929	$ 28

	2018	
	Accounts receivable	Notes receivable
At January 1	$ 2,198	$ -
Adjustment for retrospective application of IFRS 9	-	-
Provision for impairment	915	40
Write-offs	(2,067)	-
Effect of foreign exchange	1	-
At December 31	$ 1,047	$ 40

For provisioned loss in 2019 and 2018, the impairment losses arising from customers contracts is $1,888 and $955, respectively.

(c) Liquidity risk

The objectives for managing liquidity risk are maintaining cash and deposits needed for operations, high liquidity marketable securities and adequate borrowing credits to ensure the Company is financially flexible.

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2019			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 15,130	$ -	$ -	$ -
Notes payable	38,788	-	-	-
Accounts payable	1,001,835	-	-	-
Other payables	605,010	-	-	-
Lease liability	1,036	-	-	-
Long-term borrowings (including current portion)	47,751	49,391	139,581	426,725
Derivative financial liabilities:None				

	December 31, 2018			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	112,970	-	-	-
Accounts payable	1,035,036	-	-	-
Other payables	556,646	-	-	-
Long-term borrowings (including current portion)	30,699	33,053	107,058	253,739
Derivative financial liabilities:None				

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments, equity investment without active market and investment property is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other financial assets, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including current portion) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Derivative instruments	$ -	$ 45	$ -	$ 45
Financial assets at fair value through other comprehensive income				
Equity security	263,026	-	14,500	277,526
	$ 263,026	$ 45	$ 14,500	$ 277,571

Liabilities: None

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 200,012	$ -	$ -	$ 200,012
Derivative instruments	-	128	-	128
Financial assets at fair value through other comprehensive income				
Equity security	287,544	-	14,500	302,044
	$ 487,556	$ 128	$ 14,500	$ 502,184

Liabilities: None

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

ii. Except for financial instruments with active markets, when assessing non-standard and low-complexity financial instruments, for example, forward exchange contract and forward contract on raw materials, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

F. The Group's treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 periodically, which is to evaluate and measure the fair value of financial instruments.

G. The Group's equity securities for fair value measurements being categorised within Level 3 are investments in unlisted companies evaluated by net asset value method.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

In order to respond to objectives of providing services to clients, upgrading overall competition and globalization, except for in Taiwan, the Company successively established operating bases in Mainland China and America to provide high speed and quality services. Management has determined the reportable operating segments based on reporting information used for normal performance management and strategic decisions reviewed and implemented, and two geographical reportable operating segments are Asia and America.

(2) Measurement of segment information

The Group uses the operating profit as the measurement for operating segment profit and the basis of performance assessment.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	For the year ended December 31, 2019		
	Asia	America	Total
Revenue from external customers	$ 8,550,586	$ 131,320	$ 8,681,906
Inter-segment revenue	3,291,943	64,413	3,356,356
Total segment revenue	$ 11,842,529	$ 195,733	$ 12,038,262
Reportable segment profit or loss	$ 1,113,512	$ 26,370	$ 1,139,882
Segment income (loss):			
Depreciation and amortization	$ 190,850	$ 2,879	$ 193,729

	For the year ended December 31, 2018		
	Asia	America	Total
Revenue from external customers	$ 8,145,282	$ 158,176	$ 8,303,458
Inter-segment revenue	4,170,014	57,431	4,227,445
Total segment revenue	$ 12,315,296	$ 215,607	$ 12,530,903
Reportable segment profit or loss	$ 810,875	$ 15,334	$ 826,209
Segment income (loss):			
Depreciation and amortization	$ 165,891	$ 2,873	$ 168,764

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	For the year ended December 31, 2019
	Asia
Depreciation expense increased	$ 3,838
Segment assets increased	$ 1,036
Segment liabilities increased	$ 1,036

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2019 and 2018 is provided as follows:

	For the years ended December 31,	
	2019	2018
Reportable segments profit and loss	$ 1,139,882	$ 826,209
Dividend income	9,788	17,520
Net currency exchange (loss) gain	(3,424)	81,427
Gain on disposal of investments	909	777
Net (loss) gain on financial assets and liabilities at fair value	(24,408)	1,141
Share of (loss) profit of associates and joint ventures accounted for under equity method	(2,001)	6,621
Others	33,477	41,581
Profit before tax and continued operations	$ 1,154,223	$ 975,276

The amounts provided to the Chief Operating Decision-Maker with respect to total assets are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers is mainly from sales of metalwork doors.

(6) Geographical information

Revenue from external customers:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
America	$ 5,943,756	$ 82,542	$ 5,385,940	$ 87,440
Asia	1,890,115	2,931,404	2,042,157	2,773,373
Others	848,035	-	875,361	-
	$ 8,681,906	$ 3,013,946	$ 8,303,458	$ 2,860,813

For the geographical information, revenue is based on the location of customers. Non-current assets include fixed assets, intangible assets, and other assets (excludes financial instruments and deferred income tax assets) and non-current assets based on the location of assets.

(7) Major customer information

	For the years ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
C	$ 2,575,548	Asia	$ 2,027,879	Asia
B	1,162,882	Asia	999,349	Asia
	$ 3,738,430		$ 3,027,228	

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Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Loans to others

Year ended December 31, 2019

Table 1 Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	Taiwan Fu Hsing Industrial Co., Ltd.	FU HSING AMERICAS INC.	Other receivabes-related parties	Y	$ 15,088	$ 15,088	$ 6,035	2.50	Note 1(1)	$ 98,058	-	$ -	None	$ -	$ 98,058	$ 1,092,050	Note 2
0	Taiwan Fu Hsing Industrial Co., Ltd.	Techfom Industrial Co., Ltd.	Other receivabes-related parties	Y	100,000	-	-	2.50	Note 1(2)	-	Purchasing business facilities	-	None	-	321,623	546,025	Note 2
1	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek (Shanghai) International Trading Co., Ltd.	Other receivabes-related parties	Y	162,712	89,880	89,880	2.50	Note 1(2)	-	Operating turnover	-	None	-	187,308	280,962	Note 3
2	FORMFLEX ENTERPRISE CO., LTD.	FU HSING AMERICAS INC.	Other receivabes-related parties	Y	15,088	-	-	2.50	Note 1(1)	-	-	-	None	-	-	196,565	Note 3
2	FORMFLEX ENTERPRISE CO., LTD.	FU HSING AMERICAS INC.	Other receivabes-related parties	Y	6,310	6,310	6,310	2.50	Note 1(2)	-	Operating turnover	-	None	-	68,259	98,283	Note 3
3	Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Other receivabes-related parties	Y	110,000	110,000	35,000	2.616	Note 1(1)	183,532	-	-	None	-	124,851	124,851	Note 3

Note 1:The code represents the nature of loans as follows:

(1) Business relationship.

(2) Short-term financing.

Note 2: The Company’s policy for granting loans is described as follows:

(1) For business relationship, the total amount shall not exceed 20% of the net assets value; the limit amount for single party shall not exceed the amount of transaction.

(2) For short-term financing, the total amount shall not exceed 10% of the net assets value; the limit amount for single party shall not exceed 50% of the net assets value.

Note 3:In accordance with the Investee’s policy for granting loans, limit on loans granted to a single party is described as follows:

(1) For business relationship, the total amount shall not exceed 20% of the net assets value; the limit amount for single party shall not exceed the amount of transaction.

(2) For short-term financing, the total amount shall not exceed 10% of the net assets value; the limit amount for single party shall not exceed 50% of the net assets value.

(3) Between the subsidiaries controlled by the same parent company for the business needs short-term financing, the total amount shall not exceed 30% of the net assets value; the limit amount for single party shall not exceed 20% of the net assets value.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

				As of December 31, 2019				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	Stocks - Fine Blanking & Tool Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,552,867	$ 209,592	9.98	$ 209,592	
	Stocks - Min Aik Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	2,112,000	53,434	2.74	53,434	
	Stocks - Sunsino Development Associate Inc.	None	Financial assets at fair value through other comprehensive income - non-current	833,406	7,000	1.75	7,000	
	Stocks - NCKU Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,300,000	6,500	8.33	6,500	
	Stocks - BENJHOU TECHNOLOGY CO., LTD	None	Financial assets at fair value through other comprehensive income - non-current	100,000	1,000	4.17	1,000	
	Stocks - Saint Pin Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	251,835	-	4.20	-	
	Stocks - Nailermate Enterprise Corp.	None	Financial assets at fair value through other comprehensive income - non-current	45,972	-	3.75	-	
	Stocks - Shing Bee Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	511,928	-	1.54	-	
	Stocks - Tsu Yung Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400,000	-	4.00	-	
	Stocks - MAP TECHNOLOGY HOLDINGS LIMITED	None	Financial assets at fair value through other comprehensive income - non-current	7,853,941	-	5.47	-	
	Stocks - Ofis International Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	720,000	-	4.78	-	
	Stocks - Hwa Nan Co., Ltd.	Note	Financial assets at fair value through other comprehensive income - non-current	85,891	-	15.85	-	
	Stocks - Melten Connected Healthcare Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,111,111	-	1.71	-	

Note : Same board chairman.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

					Balance as at January 1, 2019		Addition		Disposal				Balance as at December 31, 2019	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates -Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	$ -	62,020,302	$ 921,000	62,020,302	$ 921,226	$ 921,000	$ 226	-	$ -
	Beneficiary certificates - Taishin 1699 Money Market	Financial assets at fair value through profit or loss - current	-	-	14,807,450	200,000	48,220,496	653,000	63,027,946	853,314	853,000	314	-	-
	Beneficiary certificates- FSITC Taiwan Money Market	Financial assets at fair value through profit or loss -current	-	-	-	-	25,805,558	395,000	25,805,558	395,091	395,000	91	-	-
Fortress Industrial Co., Ltd.	Beneficiary certificates -Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	45,773,154	679,000	45,773,154	679,188	679,000	188	-	-

Company Name

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

								If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Currency	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Tong Sing Co., Ltd.	Plant	February 24,2017 (Note 1)	NTD	$ 498,145	$ 498,145 (Note 2)	Darmaw Construction Co., Ltd.	Non-related party	-	-	-	$ -	According to market conditions	Operation requirement	None

Note 1: The signing date of the contract ; it was transferred to the buildings and structures upon the receipt of use permit and the acceptance.
Note 2: Assessed according to the project progress and payments were made monthly by wire transfer.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Indirectly-owned subsidiary	Purchases	$ 1,886,917	43	Agreement	Note	Note	($ 161,475)	(30)	
	Ziyong Hardware Products (Taicang) Co., Ltd.	Indirectly-owned subsidiary	Purchases	263,543	6	Agreement	Note	Note	(17,170)	(3)	
	TONG SING Co., Ltd.	Subsidiaries	Purchases	100,264	2	Agreement	Note	Note	(44,084)	(8)	
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(1,886,917)	(98)	Agreement	Note	Note	161,475	55	
	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated companies	Purchases	195,930	11	Agreement	Note	Note	(18,982)	(7)	
Ziyong Hardware Products (Taicang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Affiliated companies	(Sales)	(195,930)	(14)	Agreement	Note	Note	18,982	6	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(263,543)	(19)	Agreement	Note	Note	17,170	5	
Fortress industrial Co., Ltd.	Arctek industrial Co., Ltd.	Affiliated companies	Purchases	183,532	20	Agreement	Note	Note	(17,450)	(8)	
	FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Subsidiaries	Purchases	168,891	19	Agreement	Note	Note	(26,521)	(13)	
Arctek industrial Co., Ltd.	Fortress industrial Co., Ltd.	Affiliated companies	(Sales)	(183,532)	(63)	Agreement	Note	Note	17,450	36	
FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Fortress Industrial Co., Ltd.	Parent company	(Sales)	(168,891)	(94)	Agreement	Note	Note	26,521	87	
TONG SING Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(100,264)	(69)	Agreement	Note	Note	44,084	100	

Note: The above sales were based on agreements with the companies and there were no material differences with general transactions.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2019

Table 6 | Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	$ 161,475	6.95	$ -	-	$ 62,465	$ -

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

Transactions amount between the parent company and subsidiaries or between subsidiaries reaching $10 million is provided below and descriptions are disclosed in Note 2, and the same transaction is disclosed only once.

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	1	Purchases	$ 263,543	Agreement	3.04%
		"	"	Accounts payable-related parties	17,170	Agreement	0.21%
		"	"	Service revenue	18,696	Agreement	0.22%
		"	"	Other receivables	18,166	Agreement	0.22%
		Formflex Metal Industrial (Changshu) Co., Ltd.	1	Purchases	1,886,917	Agreement	21.73%
		"	"	Other payables	89,673	Agreement	1.07%
		"	"	Accounts payable-related parties	161,475	Agreement	1.93%
		FU HSING AMERICAS INC.	1	Sales	98,058	Agreement	1.13%
		"	"	Commission expense	64,356	Agreement	0.74%
		"	"	Accounts receivable-related parties	30,237	Agreement	0.36%
		"	"	Other receivables-related parties	13,023	Agreement	0.16%
		Hundure Technology Co., Ltd.	1	Purchases	57,360	Agreement	0.66%
		TONG SING Co., Ltd.	"	Purchases	100,264	Agreement	1.15%
		"	"	Accounts payable-related parties	44,084	Agreement	0.53%
1	Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	3	Purchases	168,891	Agreement	1.95%
		"	"	Accounts payable-related parties	26,521	Agreement	0.32%
		Arctek Industrial Co., Ltd.	3	Purchases	183,532	Agreement	2.11%
		"	"	Accounts payable-related parties	17,450	Agreement	0.21%
		"	"	Other receivable - related parties (loans to)	35,000	Agreement	0.42%
		Arctek Security Technologies (Shanghai) Co., Ltd.	3	Sales	10,931	Agreement	0.13%
2	TONG SING Co., Ltd.	Ziyong Hardware Products (Taichang) Co., Ltd.	3	Sales	17,257	Agreement	0.20%
3	Ziyong Hardware Products (Taicang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	195,930	Agreement	2.26%
		"	"	Purchases	33,798	Agreement	0.39%
		"	"	Accounts receivable-related parties	18,982	Agreement	0.23%
		"	"	Accounts payable-related parties	12,116	Agreement	0.14%
4	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	3	Other receivables-related parties (Loans to)	89,880	Agreement	1.07%
		Changshu Fortune Packing Material Co., Ltd.	3	Purchases	18,643	Agreement	0.21%
5	Rui Sheng Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Sales	29,964	Agreement	0.35%
		"	"	Accounts receivable-related parties	10,795	Agreement	0.13%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investees

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Enterprise Co., Ltd.	SAMOA	Investment holdings	$ 741,744	$ 741,744	23,704,000	100	$ 981,162	$ 186,407	$ 188,456	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Master United Investment Group Ltd.	British Virgin Islands	Investment holdings	538,240	538,240	1,560,000	100	723,676	52,441	52,989	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Tong Sing Co., Ltd.	Taiwan	Processing of hardware products	700,000	700,000	70,000,000	100	643,246	(51,350)	(51,350)	
Taiwan Fu Hsing Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Taiwan	Sales and manufacture of door locks, transom closers and floor springs	410,231	410,231	33,000,000	100	622,673	87,260	87,945	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Fu Hsing Americas Inc.	U.S.A	Sales of door locks and related accessories	11,263	11,263	300,000	100	130,612	18,980	19,689	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	65,200	65,200	5,838	70	95,984	12,570	9,119	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Hundure Technology Co., Ltd.	Taiwan	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	128,000	128,000	5,059,415	51	89,920	24,019	12,251	
Taiwan Fu Hsing Indurstrial Co., Ltd.	Sunion Technology Co., Ltd.	Taiwan	Sales and manufacture of electronic lock parts	29,000	-	2,900,000	100	27,615	(1,385)	(1,385)	Note 5
Taiwan Fu Hsing Industrial Co., Ltd.	Allegion Fu Hsing Ltd.	Hong Kong	Other kind of transaction business	-	-	-	49	4,643	(4,084)	(2,001)	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	ARCTEK TECHNOLOGY LTD.	SAMOA	Investment holdings	-	320	-	-	-	(32)	(32)	Note 4
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	14,000	14,000	756,000	70	24,162	6,395	-	Note 3
Formflex Enterprise Co., Ltd.	Fortune Industrial Ltd.	SAMOA	Investment holdings	6,698	6,698	204,000	51	9,352	(200)	-	Note 3

Note 1: Unissued stocks.

Note 2: The difference of the investee company's gain (loss) in the current year and the Company's investment gain (loss) recognized was the unrealized gain (loss) arising from intercompany transactions.

Note 3: Those amounts have been included in the investment income (loss) of the Company on the investees accounted for under the equity method.

Note 4: The investee was approved to cancel its registration on October 23, 2019.

Note 5: The investee was approved to establish and register on August 16, 2019.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formflex Material Industrial (Changshu) Ltd.	Sales and manufacture of architectural door and locks and related accessories	$ 735,090	(2)	$ 735,090	$ -	$ -	$ 735,090	$ 185,983	100	$ 185,983	$ 936,541	$ 367,944	Note 2
Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories and furniture	512,839	(2)	520,957	-	-	520,957	52,448	100	52,448	700,689	346,665	Note 2
Fortress door control product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	90,750	(1)	90,750	-	-	90,750	5,492	100	5,455	84,698	-	Note 2
ChangShu Fortune Packing Material Co.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	(168)	51	(86)	9,341	-	Note 2
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	(7,102)	100	(7,102)	(48,530)	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	$ 1,262,745	$ 1,262,745	$ 3,364,268	Note 3
Fortress Industrial Co., Ltd.	90,750	90,750	374,553	Note 4

Note 1：Investment methods are classified into the following categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China: reinvest in Mainland China through MASTER UNITED INVESTMENT GROUP LTD., FORMFLEX ENTERPRISE CO., LTD., and FORTUNE INDUSTRIAL LTD.

(3) Others: The Company invested in Arctek (Shanghai) International Trading Co., Ltd. not using its capital but through indirect investment where the earnings of Ziyong Hardware Products (Taicang) Co., Ltd., the Company's investee in Mainland China, were used to invest in Arctek (Shanghai) International Trading Co., Ltd.

Note 2: The investment gain/loss was measured based on audited financial statements of investee.

Note 3: Limit amount prescribed by the Jing-Shen-Zi Letter No. 09704604680 of Ministry of Economic Affairs, dated August 29, 2008, and is calculated based on 60% of the Company's consolidated net assets.

Note 4: Calculated based on 60% of the Company's consolidated net assets.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

Year ended December 31, 2019

Table 10

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other receivables		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2019	%	Amount	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others
Formflex Material Industrial (Changshu) Ltd.	($ 1,886,917)	(43)	$ 9,259	27	($ 161,475)	(30)	$ 525	2	$ -	-	$ -	$ -	-	$ -	
Ziyong Hardware Products (Taicang) Co., Ltd.	(263,543)	(6)	18,696	55	(17,170)	(3)	18,166	71	-	-	-	-	-	-	
Fortress Door Control Product (Changshu) Co., Ltd.	(168,891)	(19)	1,204	11	(26,521)	(13)	21	1	-	-	-	-	-	-	