

Security Code : 9924

The logo of Taiwan Fu Hsing Industrial Co., Ltd. is a stylized geometric design. It features a central white 'Y' shape. The top of the 'Y' is a red diamond. The two lower arms of the 'Y' are purple, each composed of two triangular sections meeting at a central point. The entire logo is centered on the page.

TAIWAN FU HSING INDUSTRIAL CO., LTD.

**2014
ANNUAL REPORT**

Date: March 31, 2015

TWSE (Taiwan Stock Exchange) Website: <http://www.twse.com.tw>

Taiwan Fu Hsing Website: <http://www.fuhsing.com.tw>

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Title: Chief Finance Officer

Contact Number: +886 7 6225151 ext. 450

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IV. Certifying CPA of the current year

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Name of Accounting Firm: PWC Taiwan

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V. Listed overseas securities for trading: None

VI. Company Website: www.fuhsing.com.tw

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A. Letters to Shareholders

To the Shareholders of Taiwan Fu Hsing Industrial Co., Ltd.:

“Becoming the largest and the most trustworthy manufacturing company in the industry of door related technology products” is the goal that Fu Hsing has devoted to for years. By its profound R&D capability, continuous product innovation, supports to the market with various solutions, and also devotions to corporate social responsibility, Fu Hsing is able to keep improving our operation performance and meanwhile receive the recognition and support from the public and our shareholders.

In the year of 2014, with all's efforts, regardless in domestically or internationally, Fu Hsing's consolidated revenue wrote a new score in history again and reached to 7.07 billion dollars, which was a 20% growth comparing to the year before. The brilliant performance, besides the strong market demands backed by the dominant U.S. market and economy's steadily recovery, partially came from the fruitful results in expanding new customers in Australia and European markets. In terms of products, the need for traditional mechanical locks is still growing steadily. But we also observe the trend of using electronic door lock is turning more and more obvious. And our electronic locks because of its beautiful design and safer and more convenient functions are widely accepted by customers and the sales volume is also growing steadily. As for panic exit device, the sales volume is keep increasing, especially in mid to higher end products, and the products are accepted and used by domestic famous construction cases and large size shopping center in successive. We expect the sales growth can be sustained in the future.

In addition, there is one other thing that is worth mentioning. Our Shanghai subsidiary that was established for expanding the mid to high level brands market in China was appraised as “one of the top ten hardware company in China” by China Hardware Technological Innovation Strategy Union in 2014. Thus it is obvious that after years of cultivation in China region, our products are gradually accepted and recognized by local market. And we believe this will definitely bring positive effects on our future business expansion in China region.

The Company's 2014 operation results are stated as the following:

(1) Review of Business Plan Implementation

Unit: NTD1,000

List	2014	2013	Increase (Decrease)	Increase (Decrease) by %
Revenues (Net)	7,074,752	5,887,680	1,187,072	20%
Operating Profit	499,433	308,501	190,932	62%
NIBT (Net Income Before Tax)	671,423	762,675	-91,252	-12%
NIAT (Net Income After Tax)	507,914	580,998	-73,084	-13%

(2) Review of Budget Implementation

Not available. Fu Hsing did not disclose Financial Forecast for the year of 2014.

(3) **Analysis of Receipt, Expenditure, and Profitability**

List		2014	2013
Financial Structure	Debt to Total Asset (%)	31.83	28.71
	Long Fund to Fixed Assets (%)	284.07	344.66
Business Solvency	Current Ratio (%)	201.13	240.16
	Quick Ratio (%)	150.27	175.87
	Interest Protection Multiples	223.40	276.93
Profitability	Return on Assets (%)	7.79	9.87
	Return on Shareholder's Equity (%)	11.32	13.73
	NIBT to Paid In Capital (%)	35.63	40.47
	Net Profit Ratio (%)	7.18	9.87
	Earnings Per Share (dollar)	2.70	3.08

(4) **Research & Development Works**

The development of new products and technology has always been one important direction in Fu Hsing. In 2014, besides continuously promoting our R&D speed, we also introduced in different kinds of electronic technologies to construct a more comprehensive and diversified electronic lock production line. And we did successfully launch style electronic auxiliary locks and touch style electronic flat bar lock. In addition, we further connected electronic functions, such as touch screen and fingerprint identification, to large size EU mortise products. Meanwhile, we also tided closer this technology with our future mid-term to long-term product layout in order to lay a solid foundation for our footing in home automation and system integration production.

Besides the development of electronic locks, we still maintain the pace in developing traditional door lock products. In 2014, Fu Hsing continued to develop new functions and accessories for our U.S. Grade 1 commercial flat bar product lines to expand product coverage in the North America market. While showing our devotion and fruitful result in promoting our technology to the market, Fu Hsing at the same time is increasing our products' value.

Global political and economic situation changes all the time. We clearly understand that if an enterprise is overly conservative, the enterprise will die out eventually and if an enterprise does not have its own thinking and passively follow the market trend all the time, the enterprise is also pushing itself to fall into the "red sea" competitions. Therefore, we decide to hold the attitude in sustainable operation and keep investing in product R&D aiming at future trend with the hope to keep developing the "blue sea" market in order to ensure our leading role in the market.

For the next year, our main development direction will focus on:

1. Develop intelligent home gate products.

While hand-held mobile devices and cloud conception is getting more and more popular, traditional mechanical door lock products even though are still keeping its own market, consumers are having growing interests in intelligent home gate system. With the insight of future trend, we expect to put in considerable resources to introduce the technology of the Internet of the Things, develop gate system with wireless communication technology, and connect with other intelligent devices to bring in a whole new product experiences for our customers. We hope we can provide them with much more security feel and also the convenience of the technology.

2. Invest in social welfare and fulfill corporate social responsibility.

In the past year, the foot safety was a crisis and big issue in our society. It made us even believes that an enterprise can only be accepted as a good enterprise by the public when it can look after both sides in business profits and social welfare. Therefore, with prudent and responsible attitude, we completed the CSR report and hope the public can understand our devotion to social responsibility and our attitude and courage to take the responsibility. In addition, our Taiwan Fu Hsing Cultural and Educational Foundation has been devoted to and supported local students by real actions such as giving out donations to poor students, holding children's summer camp or inviting poor students to watch shows, etc., and also dedicated to encourage domestic sports culture by continuously holding national Fu Hsing Cup Tennis Competitions etc... for a long time. These are proofs of our expectations to make devotions to the society.

3. Capacity expansion plan.

In order to meet the company's long term growing demand, we successively procure nearly 6,000 ping lands near our plant in Kangshan area and actively carry out the advance process planning in order to provide satisfied services to our customers.

4. Patent portfolio that focuses on product quality

One important reason to keep us in the leading position is our devotions in R&D to take the lead in the technology. Also, applying products' patent rights in important markets is a necessary step to ensure our profits. So far, we have successfully applied and received nearly one thousand patents, and now the planning of our patent portfolio is gradually moving to focus on the quality instead of the volume. "One nuclear powered submarine is more powerful than dozens of traditional diesel powered submarines." This just explains the importance of holding key patents. And just because we can accurately predict the future trend in door lock and door closer markets, in the future we will focus on the development of technologies that can outpace the other technologies and market value. Therefore, we will not waste resources on the unnecessary patents and also is able to develop a successful patent portfolio to keep competitors away.

The IMF announced the newest World Economy Outlook in January 2015 and lowered the global economy growth rate to 3.5% in this year because of the sharp fall of oil prices. Other economy bases such as Euro Zone, Russia, and Japan also submitted downward views on the economy. And Taiwan also estimates the growth rate to be 3.8%. In this circumstance, we cannot become loose. We will

cautiously and conscientiously execute our operation strategy in order to stand firm in such severe global economic conditions and continue to keep the leading position in the competitive industry.

Chairman:
LIN, Jui-Chang

President:
CHEN, Chien-Kun

Chief Accounting Officer:
LI, Kuo-Wei

B. Company Profile

1. Date of Establishment:

(1) Registration Date of Establishment:

November 23rd, 1957

(2) Company and Factory Address and Phone Number:

Headquarter (Factory): No.88, Yucai Rd., Benzhou Vil., Gangshan Dist., Kaohsiung City

Telephone No.: +886 7 6225151

Taipei Contact Office: 8/F, No.23, Ln. 155, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City

Telephone: +886 2 26643030

Taichung Contact Office: No.310, Hezuo ST., South Dist., Taichung City

Telephone: +886 4 22859965

(3) Business Scope:

1. Manufacturing and sale of metal furniture
2. Manufacturing and sale of door locks and metal parts for door (closers)
3. Manufacturing and sale of vehicle accessories and sports goods
4. Agency of vehicles and accessories thereof
5. Manufacturing and sale of molds and dies
6. Business of surface treatment
7. Agency of above-listed products for suppliers, domestic or foreign, in offering, bidding, distribution and export
8. All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Milestones:

Time	Course of Change and Development
1957~1966	<ul style="list-style-type: none">• Total capital was NT100,000 dollars at the time of establishment. The factory was established in Sanmin District, Kaohsiung City to produce bicycle parts for domestic market. The business reputation was good.• Due to the prosperous development of domestic motorcycle industry, the company's capital was increased to NT500,000 dollars and started to produce motorcycle parts for major domestic motorcycle manufacturers. The business had good fame island-wide.
1967~1976	<ul style="list-style-type: none">• Devoted to new products' research and development and added new equipment and facilities. Started to produce all different kinds of office swivel chairs and folding chairs. Fu Hsing injected a new blood to domestic chair products market and pushed domestic office chair industry to step into a new milestone.• With thriving business, the old factory required further expansion. Thus, for long term development, the whole factory was moved to Kangshan Township in Kaohsiung County. The plant site was expanded to have 16,529 square meters and company capital was increased to NT10,000,000 dollars.
1977~1986	<ul style="list-style-type: none">• For connecting the overall operation, the Financial Dept. and Operation Dept. were also moved to Kangshan Township. Fu Hsing's operation started to boom after consolidation of departments from different areas.• Fu Hsing Founder and also the Chairman, LIN, Huo-Mu, passed away. The Board of Directors resolved to elect Mr. LIN, Jui-Chang to be the successor. Chairman LIN devoted to product quality and management. With all's efforts, Fu Hsing product had good and stable quality and was accredited as A+ Quality Factory by the Ministry of Economic Affairs and evaluated as Taiwan Good Supplier by CNFI and Ministry of Economic Affairs.

	<ul style="list-style-type: none"> • In order to integrate corporate resources, set up systematic management system, and enhance overall efficiency, Fu Hsing introduced in E-Computerization system in full scale. 14 management systems were mapped out, and more IT personnel were trained. Fu Hsing officially stepped into computerized management. • With renowned good product quality, Fu Hsing was approved as one of the CNS certified factories by the Ministry of Economic Affairs.
1987~1996	<ul style="list-style-type: none"> • For enhancing all employees' awareness in product quality and quality improvement, Fu Hsing started to advocate humane management, QCC (Quality Control Circle), improvement proposal system, and introduced CWQC system to solidify the company's quality control system. • Invented electronic keycards and obtained various domestic and overseas patents. • Was awarded the honor of "Good Company of the Top Ten Product Research and Development" by the Chinese National Federation of Industries. • Received the honor of the 1st Industrial Technology Advancement Award. • Fu Hsing Chairman was elected as the 15th Model of Young Entrepreneur. • Received the 2nd SMEA award. • Fu Hsing products were awarded the mark of Taiwan Excellence. • On March 15th, 1995, Fu Hsing went public. Door Closer Group was established. °
1997~2006	<ul style="list-style-type: none"> • Obtained ISO-9002 certification from the Bureau of Merchandise Inspection. • Received the 7th Industrial Technology Development Award from the Ministry of Economic Affairs. • Implemented employee bonus and employee stock policy. • China's re-invested company Ji Jing Institution (Shanghai) Co., Ltd. was re-named to Fu Hsing Industrial (Shanghai) Co., Ltd.. • Consolidated 100% owned subsidiary Formflex Enterprise Co., Ltd. • Invested in Ziyong Hardware Products (Taichang) Co., Ltd. in China. • Formed strategic alliance with Ingersoll Rand Group from the United States. • ERP system was officially launched to achieve a more efficient integration on corporate resources and information system.
2007	<ul style="list-style-type: none"> • E-Management: Introduced in BI (Business Intelligent) system to connect with the company's ERP database for prompter and comprehensive data analysis. • E-Pass system was introduced into the Mold Center to enhance the accuracy of production cost calculation and promote the overall competitiveness. • Invested in China and set up ChangShu Fortune Packing Material Co., Ltd. with total investment amount of US 204,000 dollars.
2008	<ul style="list-style-type: none"> • ERP system was fully launched in Fu Hsing's Changhua Factory, as well as in Formflex Metal Industrial (Changshu) Co., Ltd. and Ziyong Hardware Products (Taichang) Co., Ltd. in China to further enhance the overall work efficiency and integrate corporate resources and information system. • Enlarged the scale of China investment project and increased the capital of Formflex Metal Industrial (Changshu) Co., Ltd. to US 9,000,000 dollars.
2009	<ul style="list-style-type: none"> • Acquired ARCTEK Industrial Co., Ltd. to strengthen the industry's horizontal integration, increase the market share of door closer type products such as door hinge and floor hinge, and enhance the company's competitiveness. • Received AFNOR ASIA's ISO14001 international certification through TAF environment management monitoring system. • Implemented treasury stock buyback and used for capital reduction. The total capital at the time was NTD 1,884,521,700.

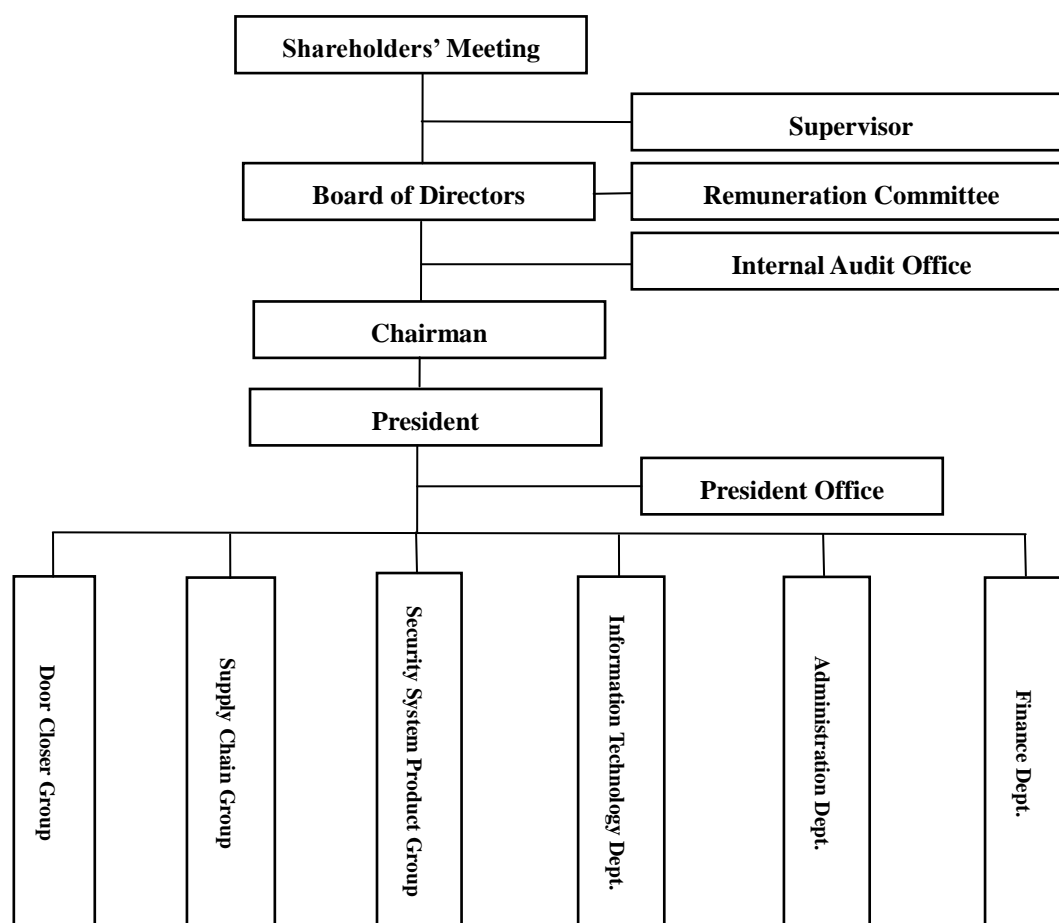
2010	<ul style="list-style-type: none"> •Introduced Lean Production System. •Introduced BPM (Business Process Management) system. •Acquired 70% of Rui Sheng Industrial Co., Ltd. through ARCTEK Industrial Co., Ltd. •All the issued outstanding securities changed to be non-physical securities.
2011	<ul style="list-style-type: none"> •Indirectly invested in a newly established company, Ming Hong Material Technology (Changshou) Co., Ltd., in China through an oversea company, Formflex Enterprise Co., Ltd., and stepped into 3C products manufacturing business. The total investment amount was estimated to be USD2,500,000. •Obtained the AEO certification from the Customs Administration, Ministry of Finance R.O.C. and became one of the good AEO safety certified companies.
2012	<ul style="list-style-type: none"> •Consolidated a 100% own subsidiary, Tai Master Enterprise Co., Ltd. •Spited Fu Hsing's Changhua branch that was responsible for the production and sale of door closer type products from the company and assigned it to Fu Hsing's subsidiary, Fortress Industrial Co., Ltd. on January 1st, 2013. •Established Arctek (Shanghai) International Trading Co., Ltd. •Invested USD5,000,000 in Formflex Metal Industrial (Changshu) Co., Ltd. in China to increase the capital. •Officially launched the operation of Remuneration Committee in first quarter.
2013	<ul style="list-style-type: none"> •The door lock production base, Fu Hsing Industrial (Shanghai) Co., Ltd., in Shanghai stopped operation in the end of January due to land expropriation relating to Shanghai government's municipal construction planning. Its related door lock capacity was transferred to Fu Hsing's Changshou plant and continued to provide customers with superior products and services. •Established the "Guidance for Ethical Operation Procedures and Behaviors" as a code of conduct for employee's external behaviors. •In order to cooperate with the door plate re-organization and consolidation project requested by the Household Registration Office, address of Fu Hsing's headquarter changed from "No.55-10, Benzhou Rd." to "No.88, Yucui Rd." on August 9th.
2014	<ul style="list-style-type: none"> •Merged Hundure Technology Co., Ltd. and entered into access security industry. •Edited and published Fu Hsing's first "CSR Corporate Sustainable Development Report" (edited in accordance with GRI G4 index). •Subsidiary Arctek (Shanghai) International Trading Co., Ltd. was appraised as "one of the top ten access security hardware companies in China" by China Hardware Technological Innovation Strategy Union in the year of 2014. •Fu Hsing subsidiary, Fortress Industrial Co., Ltd., invested to set up Fortress Door Control Product (Changshu) Co., Ltd. in China as a production base. •Established Tong Sing Co., Ltd. to integrate the whole group's production procedure vertically.

C. Corporate Governance Report

1. Organization System

(1) Organization Chart

Organization Chart of Taiwan Fu Hsing Industrial Co., Ltd.



(2) Business Scope of Major Business Unit:

Department	Top Executive Officer	Business Scope
Internal Audit Office	Senior Officer	To plan and execute the company's audit system.
President Office	President	To plan and analyze the company's operation strategy, management system, labor safety and health, legal affairs, and stock affairs.
IT Department	Manager	Responsible for the company's information engineering system.
Administration Dept.	Manager	Responsible for human resources, administrative issues, and employee education and training.
Finance Dept.	Chief Finance Officer	Responsible for accounting, cashier, taxation, cost, and fund management.
Security System Product Group	Group President	Responsible for the research, development, manufacturing, marketing, and after-sale services of door lock type products.
Supply Chain Group	Group President	Responsible for the research, development, manufacturing, marketing and after-sale services of home hardware, auto parts, motorcycle parts, and parts for 3C products.
Door Closer Group	Group President	Responsible for the research, development, manufacturing, marketing, and after-sale services of door closer, door hinge, floor hinge, and other related products.

2.Information on the company's directors, supervisors, President, Vice President, Director, and the superintendents of all the company's divisions and branch units

(1)Information on directors and supervisors (I)

Data drawn on: Dec. 31, 2014

Title	Nationality or Place of Registration	Name	Post Beginning Date	Term of Office	Date of First Elected	Shareholding of Date Elected		Current Shareholding		Current Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Other Post in the Company and other company Concurrently	Manager who is a spouse or a relative within two generations		
						Shares Held	Stake	Shares Held	Stake	Shares Held	Stake	Shares Held	Stake			Title	Name	Relation
Chairman	Taiwan R.O.C.	LIN, Jui-Chang	Jun. 18, 2014	3 Years	1990.05.31	1,624,978 (Note 2)	0.86%	1,624,978 (Note 2)	0.86%	597,576	0.32%	-	-	Soochow University - Accounting	Note 3	Vice President Supervisor	CHANG, Jui-Pi LIN, Wen-Hsing	Spouse Brother
President	Taiwan R.O.C.	CHEN, Chien-Kun	Jun. 18, 2014	3 Years	1993.02.24	675,132 (Note 2)	0.36%	675,132 (Note 2)	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 4	-	-	-
Director	Taiwan R.O.C.	Representative of Hong He Investment Co., Ltd.: CHU, Jung-Ho	Jun. 18, 2014	3 Years	2008.05.31	1,827,000 (Note 1)	0.97%	1,827,000 (Note 1)	0.97%	-	-	-	-	National SunYat-Sen University - EMBA	Note 5	-	-	-
Director	U.S.A.	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	Jun. 18, 2014	3 Years	2008.05.31	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	Brigham Young University - MBA	Note 6	-	-	-
Director	Taiwan R.O.C.	Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan	Jun. 18, 2014	3 Years	2005.05.31	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	National Taiwan University of Science and Technology – Industrial Management Graduate	Note 7	-	-	-
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	Jun. 18, 2014	3 Years	1999.04.16	1,844,185 (Note 1)	0.98%	2,697,185 (Note 1)	1.43%	90,045	0.05%	-	-	Cheng Shiu College - Machinery	Note 8	Chairman	LIN, Jui-Chang	Brother
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	Jun. 18, 2014	3 Years	1999.04.16	1,844,185 (Note 1)	0.98%	2,697,185 (Note 1)	1.43%	-	-	-	-	Feng Chia University - Statistics	Note 9	-	-	-

Note 1: Number of shares held by corporate shareholders.

Note 2: Number of shares held by natural persons.

Note 3: Is concurrently a director in Fu Hsing Americas, INC., a director in Allegion Fu Hsing Limited (originally the Ingersoll Rand Fu Hsing Ltd.), a director in Fine Blanking & Tool Co., Ltd., a director in ALLEGION Fu Hsing Holdings., LTD., the Chairman of ARCTEK Industrial Co, Ltd., a director in Launch Technologies Co., Ltd., a director in Arctek (Shanghai) International Trading Co., Ltd., the Chairman of Fortress Industrial Co., Ltd., and the Chairman of Tong Hsing Enterprise Co., Ltd.

Note 4: Is concurrently the President of the company, the Chairman of Master United Investment Group Ltd., the Chairman of Formflex Enterprise Co., Ltd., the Chairman of Formflex Metal Industrial (Changshu) Co, Ltd., the Chairman of Ziyong Hardware Products (Taichang) Co., Ltd., a director in ARCTEK Industrial Co., Ltd., the Chairman of Rui Sheng Industrial Co., Ltd., a director of ALLEGION Fu Hsing Holdings., LTD., a director of Arctek (Shanghai) International Trading Co., Ltd., the President and a director in Fortress Industrial Co., Ltd., the Chairman of Fortress Door Control Product (Changshu) Co., Ltd., and a director of Tong Hsing Enterprise Co., Ltd.

Note 5: Is concurrently the President of a business group in the company, the Chairman of Fu Hsing Americas, INC., a director of ARCTEK Industrial Co., Ltd., a director in Rui Sheng Industrial Co., Ltd., a director in Ziyong Hardware Products (Taichang) Co., Ltd., the Chairman of Arctek (Shanghai) International Trading Co., Ltd., the Vice Chairman of Fortress Industrial Co., Ltd., and a director in Fortress Door Control Product (Changshu) Co., Ltd.

Note 6: Is concurrently a consultant in First Western Advisors and Honorary Chairman of the Cooper Directional Drilling.

Note 7: Is concurrently the General Manager of Waterland Venture Capital, a director in Quo Want International Leasing Corporation, a committee member in the Remuneration Committee of the Excel Cell Electronic Co., Ltd., and a director in Fortress Industrial Co., Ltd.

Note 8: Is concurrently a director in Ziyong Hardware Products (Taichang) Co., Ltd. and a director in Formflex Metal Industrial (Changshu) Co., Ltd.

Note 9: Is concurrently a supervisor in Everlance Co., Ltd., a supervisor in Fortress Industrial Co., Ltd., and an independent director in Service & Quality Technology Co., Ltd.

(1)Information on directors and supervisors (II)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder*	Note
Fu Yuan Investment Co., Ltd.	Fu Xun Investment Co., Ltd.	45.75%
	Hong Cheng Investment Co., Ltd.	16.77%
	Lian Guang Investment Co., Ltd.	13.66%
	Sheng You Investment Co., Ltd.	10.43%
	De Li International Investment Co., Ltd.	7.33%
	WU, Yuan-Sheng	3.43%
	CHEN, Chien-Kun	2.63%
Hong He Investment Co., Ltd.	LIN, Chao-Hung	50%
	LIN YIN, Li-Wen	50%
Fu Zhi Investment Development Co., Ltd.	Fu Xun Investment Co., Ltd.	45.10%
	Hong Cheng Investment Co., Ltd.	16.77%
	Lian Guang Investment Co., Ltd.	13.66%
	Sheng You Investment Co., Ltd.	9.00%
	De Li International Investment Co., Ltd.	7.32%
	CHEN, Chien-Kun	2.63%
	WU, Shu-Hao	1.57%
	LIN, Shu-Yuan	1.14%
	WU, I-Hsin	0.72%
	LIN, Chih-Ning	0.72%
	LIN, Chih-Wei	0.72%
	LIN, Jui-Chang	0.65%

* For major shareholders, who are also legal persons, fill up the form below.

(1)Information on directors and supervisors (III)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder	Note
Fu Xun Investment Co., Ltd.	CHANG, Jui-Pi	42.41%
	LIN, Tzu-Shuan	33.45%
	CHANG, Shan	13.79%
	LIN, Tzu-Yang	6.90%
	LIN, Jui-Chang	3.45%
Hong Cheng Investment Co., Ltd.	LIN YIN, Li-Wen	49.64%
	LIN, Chao-Hung	47.74%
	LIN, Shao-Chien	1.31%
	LIN, Shao-Chieh	1.31%
Lian Guang Investment Co., Ltd.	LIN, Wen-Hsing	35.83%
	HSU, Mei-Hui	33.34%
	LIN, Chih-Cheng	15.83%
	LIN, Chih-Yu	15%
Sheng You Investment Co., Ltd.	LIN, Miao-Chen	33.04%
	LIN, Teng-Tsai	31.30%
	CHANG, Shan	21.74%
	LIN, Ping-Kuan	5.22%
	LIN, Chih-Wei	4.35%
	LIN, Chih-Ning	1.74%
	SHIH, Wei-Ming	0.87%
	SHIH, Chin-Hung	0.87%
	SHIH, Chin-I	0.87%
De Li International Investment Co., Ltd.	LIN, Miao-Yin	40%
	CHEN, Chen-Yueh	38%
	CHEN, Ssu-Chin	10%
	CHEN, Ssu-Kai	10%
	WANG, Shu-Yuan	2%

(1)Information on directors and supervisors (IV)

Name	Qualification	Having at least 5 years working experiences and professional qualifications listed below*			Conditions of Independence*										Number of concurrent duties in other public companies as independent directors
		At least a lecturer from public or private colleges in business, legal affairs, finance, accounting and other business related department	Judges, prosecutors, lawyers, accountants, or other business related technical staffs who are holders of professional or specialized vocational certification from state exam	Working experience in business, legal affairs, finance, accounting, or other business related fields.	1	2	3	4	5	6	7	8	9	10	
LIN, Jui-Chang		-	-	✓	-	-	-	-	✓	-	✓	-	✓	✓	-
CHEN, Chien-Kun		-	-	✓	-	-	-	-	✓	-	✓	✓	✓	✓	-
Representative of Hong He Investment Co., Ltd.: CHU, Jung-Ho		-	-	✓	-	-	-	-	✓	-	✓	✓	✓	-	-
Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing		-	-	✓	-	-	-	-	✓	-	✓	-	✓	-	-
Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-

i. Please mark “✓” in the relevant criteria for directors and supervisors, who have met the following criteria two years before being elected and during their tenure.

(1) Neither an employee of the company nor of its affiliated enterprises.

(2) Neither a director or a supervisor of the company nor of its affiliated enterprises (Exceptions apply to independent directors that directly and indirectly hold more than 50% or above of the voting shares of the company or its parent company).

(3) A natural person shareholder that neither him/herself, his/her spouse, or minor children or under other person's name holds more than 1% of the total outstanding shares of the company nor on the list of the top ten major natural person shareholder.

(4) Not a spouse, a second-degree relative, or third-degree immediate blood relative of the person that is in the three categories mentioned above.

(5) Neither a director, supervisor, or employee of a corporate shareholder that indirectly holds more than 5% of the company's total outstanding shares nor a director, supervisor, or employee of any of the top 5 major corporate shareholders.

(6) Not a director (council member), supervisor, manager, or shareholder that holds more than 5% of shares of any of the affiliated enterprises that financially or commercially relate to the company.

(7) Neither an individual professional nor an owner, partner, director (council member), supervisor, manager, or spouse of an sole proprietorship, partnership, corporation, or institution that provides operational, legal, financial, or accounting services to the company or its affiliated enterprises. Exceptions apply to members of the Remuneration Committee that shall carry out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over The Counter.

(8) Not a second-degree relative or spouse of other directors.

(9) No matters related to Article 30 of the Company Act.

(10) Not elected from the government, legal person, or its representative as stated in Article 27 of the Company Act.

(2) Information on the President, Vice President, Director, and superintendents of all the company's groups and branch units.

Data drawn on March 31st, 2014

Title	Nationality	Name	Post Beginning Date (yy/mm/dd)	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Post in other company concurrently	Manager who is a spouse or a relative within two generations		
				Shares	Holding %	Shares	Holding %	Shares	Holding %			Title	Name	Relation
President	Taiwan R.O.C.	CHEN, Chien-Kun	1994/01/01	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 1	-	-	-
Group President	Taiwan R.O.C	CHU, Jung-Ho	2008/01/01	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University – EMBA	Note 2	-	-	-
Group President	Taiwan R.O.C	LIN, Teng-Tsai	2008/01/01	200,129	0.11%	43,428	0.02%	-	-	National Hsin Hua Industrial Vocational High School – Machinery Engineering	Note 3	-	-	-
Vice President	Taiwan R.O.C	CHANG, Jui-Pi	2010/05/01	597,576	0.32%	1,624,978	0.86%	-	-	Ming Chuan University – International Trade	None	-	-	-
Vice President	Taiwan R.O.C	WANG, Han-Ting	2010/05/01	28,439	0.02%	-	-	-	-	National Cheng Kung University – Machinery Engineering	Note 4	-	-	-
Director	Taiwan R.O.C	LI, Chen-Hui	2004/10/01	968	-	-	-	-	-	Soo Chow University - Politics	None	-	-	-
Director	Taiwan R.O.C	LIN, Shih-Huang	2012/01/01	40,000	0.02%	-	-	-	-	University of Michigan – Ann Arbor – Doctoral in Machinery	None	-	-	-
Director	Taiwan R.O.C	LIN, Tzu-Hsuan	2014/04/01	775,191	0.41%					University of Technology, Sydney - MBA	Note 5	Vice President	CHANG, Jui-Pi	Mother-Son
Director	Taiwan R.O.C	CHIANG, Hung-Wei	2014/09/01	0	-					National Chiao Tung University – Master in Management Science and Research				
Director	Taiwan R.O.C	CHU, Hung-Yang	2014/09/10	23,354	0.12%					Fu Jen Catholic University – International Trade				
Director	Taiwan R.O.C	CHANG, Chin-Sheng	2015/01/01	42,533	0.02%	103	-	-	-	National Kaohsiung Marine College – Marine Engineering Management	None	-	-	-

Title	Nationality	Name	Post Beginning Date	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Educational & Experiences	Post in other company concurrently	Manager who is a spouse or a relative within two generations		
Chief Finance Officer	Taiwan R.O.C.	LI, Kuo-Wei	2015/02/01	2,000	0.001%	-	-	-	-	National Chengchi University - Accounting	Note 6	-	-	-
Plant Manager	Taiwan R.O.C.	CHUNG Hsuan-Tung	2004/10/01	2,000	0.001%	-	-	-	-	Aletheia University – Industrial	None	-	-	-
Manager of Administration Dept.	Taiwan R.O.C.	TSAI, Yen-Fen	2009/01/01	-	-	-	-	-	-	National Cheng Kung University affiliated National Open University and Supplementary Junior College – Business Information	None	-	-	-
Manager of IT Dept.	Taiwan R.O.C.	TSAI, Yu-Kung	2005/09/01	4,020	0.002%	-	-	-	-	Chung Yuan Christian University- Information Management	None	-	-	-

Note 1: Is concurrently the President of the company, the Chairman of Master United Investment Group Ltd., the Chairman of Formflex Enterprise Co., Ltd., the Chairman of Formflex Metal Industrial (Changshu) Co, Ltd., the Chairman of Ziyong Hardware Products (Taichang) Co., Ltd., a director in ARCTEK Industrial Co., Ltd., the Chairman of Rui Sheng Industrial Co., Ltd., a director of ALLEGION Fu Hsing Holdings., LTD., a director of Arctek (Shanghai) International Trading Co., Ltd., the President of Fortress Industrial Co., Ltd., the Chairman of Fortress Door Control Product (Changshu) Co., Ltd., and a director of Tong Hsing Enterprise Co., Ltd.

Note 2: Is concurrently the President of a business group in the company, the Chairman of Fu Hsing Americas, INC., a director of ARCTEK Industrial Co., Ltd., a director in Rui Sheng Industrial Co., Ltd., a director in ALLEGION FU HSING LIMITED, a director in Allegion Fu Hsing Holdings, Ltd., a director in Ziyong Hardware Products (Taichang) Co., Ltd., the Chairman of Arctek (Shanghai) International Trading Co., Ltd., the Vice Chairman of Fortress Industrial Co., Ltd., and a director in Fortress Door Control Product (Changshu) Co., Ltd.

Note 3: Is concurrently a director in Ziyong Hardware Products (Taichang) Co., Ltd., a director in Formflex Metal Industrial (Changshu) Co., Ltd., a director in Fortune Industrial Ltd., a director in ChangShu Fortune Packing Material Co., Ltd., and a director in Arctek (Shanghai) International Trading Co., Ltd.

Note 4: Is concurrently the Executive Vice President of the Fu Hsing Americas, INC.

Note 5: Is concurrently the President of Arctek (Shanghai) International Trading Co., Ltd., a supervisor in ARCTEK Industrial Co., Ltd., a director in Fortress Industrial Co., Ltd., and a director in Fortress Door Control Products (Changshu) Co., Ltd.

Note 6: Is concurrently a supervisor in ARCTEK Industrial Co., Ltd., a supervisor in Rui Sheng Industrial Co., Ltd., and a supervisor in Fortress Industrial Co., Ltd.

(3) Remuneration paid to directors, supervisors, President and Vice President in current fiscal year.

a. Remuneration paid to directors

Unit: NTD 1,000

Title	Name	Remuneration paid to directors							Summation of A, B, C and D to NIAT (%) (Note 2)		Relevant remuneration paid to staff holding concurrent posts												Summation of A, B, C, D, E, F and G to NIAT (%) (Note 2)		Remuneration received from investments in other subsidiaries	
		Remuneration (A)		Retirement Payment (B)		Allocation of Profit Surplus (C)		Business Incurred Fees (D) (Note 1)			Salary, rewards, and special fees, etc. (E) (Note 3)		Retirement Payment (F) (Note 4)		Surplus distributed as employee bonuses (G)				Employee's stock option distributed (shares) (H)		New restricted employee shares acquired (shares) (I)					
		The Company	All companies under the consolidated report	The Company	All companies under the consolidated report	The Company	All companies under the consolidated report	The Company	All companies under the consolidated report	The Company	All companies under the consolidated report	The Company	All companies under the consolidated report	The Company		All companies under the consolidated report		The Company	All companies under the consolidated report	The Company	All companies under the consolidated report	The Company	All companies under the consolidated report			
														Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus									
Chairman	Note 5	-	-	-	-	9,600	9,600	3,162	3,162	2.51%	2.51%	28,316	29,375	412	412	-	-	-	-	-	-	-	-	8.17%	8.38%	None
Director	Note 6																									
Director	Note 7																									
Director	Note 8																									
Director	Note 9																									

Note 1: Included travelling expense of \$138.

Note 2: NIAT referred to the net earnings after tax of \$507,914 in 2014.

Note 3: Included assigned business car expense \$1,868.

Note 4: Was a reserve account for retirement benefits in 2014, which was not yet paid.

Note 5: LIN, Jui-Chang

Note 6: CHEN, Chien-Kun

Note 7: CHU, Jung-Ho, representative of Hong He Investment Co., Ltd.

Note 8: Michael A.Hoer, representative of Fu Zhi Investment Development Co., Ltd.

Note 9: LIU, Ju-Shan, representative of Fu Zhi Investment Development Co., Ltd.

Remuneration Range Table

Remuneration range for directors of the company	Name of Director			
	The total of first four remunerations (A+B+C+D)		The total of first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report
Less than NT\$2,000,000	CHU, Jung-Ho (representative of Hong He Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Zhi Investment Development Co., Ltd.)	CHU, Jung-Ho (Representative of Hong He Investment Co., Ltd.) LIU, Ju-Shan (Representative of Fu Zhi Investment Development Co., Ltd.)	LIU, Ju-Shan (Representative of Fu Zhi Investment Development Co., Ltd.)	LIU, Ju-Shan (Representative of Fu Zhi Investment Development Co., Ltd.)
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	LIN, Jui-Chang CHEN, Chien-Kun Michael A.Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	LIN, Jui-Chang CHEN, Chien-Kun Michael A.Hoer (Representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer (Representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer (Representative of Fu Zhi Investment Development Co., Ltd.)
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	-	-	-	-
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	-	LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (Representative of Hong He Investment Co., Ltd.)	LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (Representative of Hong He Investment Co., Ltd.)
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)	-	-	-	-
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	5	5	5	5

b. Remuneration paid to supervisors

Unit: NTD1,000

Title	Name	Remuneration paid to supervisors						Summation of A, B and C to NIAT (%) (Note 2)		Remuneration received from investments in other subsidiaries
		Remuneration (A)		Allocation of Profit Surplus(B) (Note 1)		Business Incurred Fees (C) (Note 1)				
		The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen Hsing	-	-	2,400	2,400	72	72	0.49%	0.49%	None
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti									

Note 1: Included travelling expense of \$72.

Note 2: NIAT referred to the net earnings after tax of \$507,914 in 2014.

Remuneration Range Table

Remuneration range for supervisors of the company	Name of Supervisor	
	The total of first three remunerations(A+B+C)	
	The Company	All Companies under the Consolidated Report
Less than NT\$2,000,000	LIN, Wen-Hsing (Representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (Representative of Fu Yuan Investment Co., Ltd.)	LIN, Wen-Hsing (Representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (Representative of Fu Yuan Investment Co., Ltd.)
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	-	-
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	-	-
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	-
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)	-	-
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)	-	-
NT\$100,000,000 and above	-	-
Total	2	2

C. Remuneration paid to President and Vice President

Unit: NT\$1,000

Title	Name	Salary(A)		Retirement Payment (B)(Note 1)		Rewards and Special Fees, etc... (C)(Note 2)		Surplus distributed as employee bonuses (D)				Summation of A, B, C and D to NIAT (%) (Note 3)		Employee's stock option obtained (shares)		New Shares obtained as Employee Bonus with Limited Rights		Remuneration received from investments in other subsidiaries
		The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company		All Companies under the Consolidated Report		The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus							
President	CHEN, Chien-Kun	11,752	15,235	1,352	1,352	19,668	20,309	-	-	-	-	6.45%	7.26%	-	-	-	-	None
Group President	LIN, Teng-Tsai																	
Group President	CHU, Jung-Ho																	
Vice President	CHANG Jui-Pi																	
Vice President	WANG Han-Ting																	

Note 1: Was a reserve account for retirement benefits in 2014, which was not yet paid.

Note 2: Included assigned business car expense \$1,409

Note 3: NIAT referred to the net earnings after tax of \$507,914 in 2014.

Remuneration Range Table

Remuneration range for President and Vice President of the company	Name of President and Vice President	
	The Company (Note 7)	All Companies under the Consolidated Report (Note 8)E
Below NT\$2,000,000	-	-
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	CHANG, Jui-Pi; WANG, Han-Ting	CHANG, Jui-Pi
NT\$5,000,000 (including)~NT\$10,000,000(excluding)	CHEN, Chien-Kun; CHU, Jung-Ho; LIN, Teng-Tsai	CHEN, Chien-Kun; LIN, Teng-Tsai; WANG, Han-Ting
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	CHU, Jung-Ho
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)	-	-
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)	-	-
NT\$100,000,000 and above	-	-
Total	5	5

d.Names of managers receiving employee's bonuses and the allocation

Fiscal Year 2013/ Unit: NTD1,000

	Title (Note 1)	Name (Note 1)	Amount of Stock Bonus	Amount of Cash Bonus	Total	% of Net Profit After Tax (%) (Note 2)
Managers	President	CHEN, Chien-Kun	-	-	-	-
	Group President	CHU, Jung-Ho				
	Group President	LIN, Teng-Tsai				
	Vice President	CHANG, Jui-Pi				
	Vice President	WANG, Han-Ting				
	Director	LI, Chen-Hui				
	Director	CHU, Hung-Yang				
	Director	CHIANG, Hung-Wei				
	Director	LIN, Tzu-Hsuan				
	Director	LIN, Shih-Huang				
	Director	CHANG, Chin-Sheng				
	Chief Finance Office	LI, Kuo-Wei				
	Plant Manager	CHUNG, Hsuan-Tung				

Note 1: According to Remuneration Committee's Letter Tai-Cai-Zheng-San-Zi No.0920001301, the applicable range for managers is ruled as the following:

- (1)President and similar rank
- (2) Vice President and similar rank
- (3)Director and similar rank
- (4) Financial Department managers
- (5) Accounting Department managers
- (6) Other personnel that have administrative power over the company affairs or have the right of signature.

Note 2: NIAT referred to the net earnings after tax of \$507,914 in 2014.

e.Analysis of net profit distribution to directors, supervisors, President and Vice President:

Title	Proportion of net profit distributed to the company's directors, supervisors, President and vice President in the 2014 company report and consolidated report .	Proportion of net profit distributed to the company's directors, supervisors, President and Vice President in the 2013 company report and consolidated report .
Directors	8.38%	6.01%
Supervisors	0.49%	0.32%
President & Vice President	7.26%	5.29%

Total remunerations paid to the company's Chairman, President, and Vice President includes the basic salary, allowance for additional duty and meal. The salary is calculated based on education background, work experiences, work performance, contribution level, and seniority. A year-end bonus is distributed based on the company's operation performance of the year.

4. Corporate Governance Practices

(1) Information on the operation of Board of Directors

During the fiscal year 2014, 6 Board Meetings were conducted. The name lists of the attendees are as follows:

Title	Name	Attendance in Person	Attendance in proxy	Actual Attendance Rate (%)	Remarks
Chairman	LIN, Jui-Chang	6	0	100%	
Director	CHEN, Chien-Kun	5	0	83%	
Director	Representative of Hong He Investment Co., Ltd.: CHU, Jung-Ho	6	0	100%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A. Hoer	5	0	83%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan	6	0	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	6	0	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	6	0	100%	

Other things should be noted:

1. According to Article 14-3 of the Securities and Exchange Act, if an independent director has a dissenting opinion or qualifying opinion and such opinion was recorded or taken down as written statements, the date of Board of Directors Meeting, term, all independent directors' opinions in the resolutions and the company's reaction to the independent's opinions should be addressed: Not applicable.

2. The implementation to avoid motions with matters bearing on director's personal interests. Name of director, contents of the motion, reasons to avoid conflicts of interests, and the voting situation: Not applicable.

3. The goal and implementation of enhancing Board of Director's function in the most recent fiscal year (ex. setting up audit committee, enhancing information transparency, etc...):

Directors to pursue further education: attended the "2014 Equity Transfer by Insiders of Listed Companies and Legal Compliance Workshop" held by Securities and Futures Institute and the "Ethical Corporate Management and Corporate Social Responsibility Forum for TWSE/GTSM Listed Companies" held by the Taiwan Stock Exchange.

To promote information transparency: according to Article 14-6 of the Securities and Exchange Act, Remuneration Committee was established and its operation and administration standard was added in the company's internal control system.

Implementation status: Implemented in accordance with the Board of Director's Rules of Procedures; and the implementation were good.

(2) Information relating to the operation of Auditing Committee: Not Applicable.

(3)Supervisors participating in the operation of Board of Directors Meeting.

During the fiscal year 2014, 6 Board Meetings were conducted. The name lists of the attendees are as follows:

Title	Name	Attendance in Person	Actual Attendance Rate (%)	Remarks
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	6	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	6	100%	

1. Composition and duty of supervisors:

(1)The communication conditions among supervisors, company staffs and shareholders (such as the communication channels and methods, etc...):

Besides the communication during Board of Director's Meetings or Shareholder's Meetings, when there is a need of communication, the company's staffs or shareholders can also reach and communicate with the supervisor through agent for stock affairs at any time. Therefore, there have been established appropriate communication channels among the supervisors and company staffs and shareholders.

(2)The communication conditions among supervisors, internal audit executives, and accountants (such as communication matters with regard to the company's financial or marketing issues, communication methods and results, etc...):

Supervisors can contact the company's audit executives and accountants to discuss matters with regard to the company's financial, marketing, internal control system, and audit status at any time. In addition, supervisors can also sit in the Board of Director's Meeting to listen and discuss the company's financial and audit related reports. Therefore, there have been established appropriate communication channels among the supervisors and the company's internal audit executives and accountants.

2.If there are any suggestions made by the supervisors during the Board of Director's Meeting, such suggestions shall be stated along with the date of Board of Director's Meeting, term, content of the motion, resolutions, and the reactions to such suggestions made by supervisors : None.

(4)The implementation of corporate governance and the divergence from the regulated Best-Practice Principles for TSE/GTSM Listed Companies and the reason for such divergences.

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
1. Whether the company establishes and discloses corporate governance principles following the regulated “Corporate Governance Best Practice Principles for TWSE/GESM Listed Companies”?		✓	The company has not yet established corporate governance related practice principles, but the company has set up practice principles for ethical operation and corporate governance’s self-assessing report, and such rules are smoothly implemented.	No significant divergence
2. Regarding the company’s share structure and stockholder’s equity A.Whether the company sets up internal work procedures to handle suggestions, questions, disputes and lawsuits with shareholders, and whether the procedures are implemented accordingly? B.Whether the company holds the information on the company’s major shareholders with controlling interests and the ultimate controlling parties that stand behind the major shareholders? C.Whether the company establishes and implements rules for risk management with affiliated companies and builds the firewall mechanism? D.Whether the company establishes internal regulations to prohibit insiders from utilizing un-disclosed information to purchase/sell securities?	✓ ✓ ✓ ✓	✓	A.The company has not yet set up internal work procedures, but the company has appointed spokesperson and acting spokesperson to deal with suggestions, disputes and other problems arising from shareholders. B.The shareholding of the company is quite centralized. Besides, the company does pay attention to the company’s securities trading status in the market all the time. C.The company has already established related rules in the company’s internal control system according to laws and regulations. D.The company has set up “Work Procedures to Handle Significant and Important Information”.	No significant divergence No significant divergence No significant divergence No significant divergence
3. Composition and duties of Board of Directors A.Whether the company sets up rules for the diversity of the members of Board of Director and whether the rules are truly implemented?		✓	A.The company has not yet established rules for the diversity of the members of Board of Directors and so unable to carry out the rules. But such rules are	No significant divergence

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
<p>B.Besides setting up Remuneration Committee and Audit Committee according to laws and regulations, whether the company voluntarily sets up other similar kinds of functional committee?</p> <p>C.Whether the company sets up Board of Director's performance evaluation rules and method and carries out the evaluations regularly each year?</p> <p>D.Whether the company periodically evaluates the independence of the company's certifying accountant?</p>	✓	✓	<p>under planning.</p> <p>B.The company has not yet set up other similar kinds of functional committee, but such is under planning.</p> <p>C.The company has not yet established Board of Director's performance evaluation rules and method, but such is in evaluation.</p> <p>D.The company has evaluated and confirmed the certifying accountant has met related regulations stated on Code of Ethics Professional Accountants Bulletin No.10 regarding accountant's "Integrity, Objectivity, and Independence" in this fiscal year.</p>	<p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p>
4. Whether the company establishes communication channels with interested parties, and whether the company constructs a web area for interested parties on the company's website and properly answers all the important CSR related questions arising from interested parties?	✓		The company has and maintains good communications with its banks, creditors other than banks, employees, customers, and suppliers. Meanwhile, the company has built a webpage for interested parties (in Chinese) under the section of Social Responsibility. We do respect all's legitimate rights and interests.	No significant divergence
2. Whether the company entrusts professional stock affairs agency to handle Shareholder's Meeting related affairs.	✓		The company entrusts "Capital Securities Corporation" as our agency of stock affairs to handle all Shareholders' Meeting related affairs.	No significant divergence
<p>3. Information Disclosures</p> <p>A.Whether the company constructs a website and discloses information about the company's financials and corporate governance?</p> <p>B.Whether the company adopts other methods to disclose the company's information (such as constructing English website, assigning a staff</p>	✓	✓	<p>A.The company has a company website (www.fuhsing.com.tw) . Under the Investor Relations section, one can inquire about the company's financials, annual reports and share prices. Under the Products section, pictures of our products are also exhibited.</p>	No significant divergence

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
to collect and disclose the company's information, truly carry out spokesman system, put road show information and contents on the company's website, etc...)			B. The company has assigned a staff to collect and disclose the company's information and truly carries out the spokesman system.	No significant divergence
4. Whether the company has other important information that might help understand the operation of corporate governance (including but not limiting to information regarding to employees' rights, the consideration for employees, investor relationship, supplier relationship, relationship with interested parties, director and supervisor's further education pursuit, risk management policy and risk measurement implementation, customer policy, insurance procured for directors and supervisors, and etc...)	✓		1. The company encourages employees to communicate directly with the management to properly reflect their suggestions on important decisions regarding the company's operation or employee's benefit.	No significant divergence
			2. On the company's website (www.fuhsing.com.tw), information about the company, corporate social responsibility, products, investor relationship, join us (recruiting information), supplier platform are listed in separate sections. Also our contact information including emails, telephone number, and address can be found on the website.	No significant divergence
			3. The company has established an e-filing work system to provide investors and interested parties with information that might affect their decision.	No significant divergence
			4. The company's directors and supervisors attend educational trainings with a fixed schedule.	No significant divergence
			5. Risk management policy and the implementation of risk measurement: Not applicable (this is for securities brokers).	No significant divergence
			6. Consumer protection or the implementation of customer policy: Not applicable (this is for securities brokers).	No significant divergence
			7. The company does not purchase any liability insurances for directors and supervisors.	No significant divergence
5. Whether the company has corporate governance self-assessment report or entrusts other		✓	The company neither issues any corporate governance self-assessment report nor entrusts other	No significant divergence

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
professional institutions to issue the corporate governance assessment report? (If yes, please also state Board of Director's comments, self-assessment results or assessment results issued by entrusting institutions, significant deficiencies or suggestions and the improvements.) (Note 2)			professional institutions to issue the corporate governance assessment report. However, the company does have self-assessing procedures on the implementation of internal control system.	

(5)The composition, duty, and operation of the company’s Remuneration Committee.

a.Members of the Remuneration Committee

Identity (Note 1)	Condition Name	Having at least 5 years working experiences and professional qualifications listed below			Conditions of Independence (Note 2)								Number of concurrent duties in other public companies as independent directors	Remarks (Note 3)
		At least a lecturer from public or private colleges in business, legal affairs, finance, accounting and other business related department	Judges, prosecutors, lawyers, accountants, or other business related technical staffs who are holders of professional or specialized vocational certification from state exam	Working experience in business, legal affairs, finance, accounting, or other business related fields.	1	2	3	4	5	6	7	8		
Others	CHEN, Chin-Chi		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	CHANG, Ling-Ling		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Director	LIU, Ju-Shan (resigned on Mar. 20 th , 2014)			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	YES (Note3)
Others	CHEN, Yung-Chun (Newly appointed on Mar. 28, 2014)			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in Director, Independent Director or Others in the field of Identity according to the actual situation.

Note 2: Please mark “✓” in the relevant criteria for committee members, who have met the following criteria two years before being elected and during their tenure.

- (1) Neither an employee of the company nor of its affiliated enterprises.
- (2) Neither a director or a supervisor of the company nor of its affiliated enterprises (Exceptions apply to independent directors that directly and indirectly hold more than over 50% of the voting shares of the company or its parent company).
- (3) A natural person shareholder that neither him/herself, his/her spouse, or minor children or under other person’s name holds more than 1% of the total outstanding shares of the company nor on the list of the top ten major natural person shareholder.
- (4) Not a spouse, a second-degree relative, or third-degree immediate blood relative of the person that is in the three categories mentioned above.
- (5) Neither a director, supervisor, or employee of a corporate shareholder that indirectly holds more than 5% of the company’s total outstanding shares nor a director, supervisor, or employee of any of the top 5 major corporate shareholders.
- (6) Not a director (council member), supervisor, manager, or shareholder that holds more than 5% of shares of any of the affiliated enterprises that financially or commercially relate to the company.
- (7) Neither an individual professional nor an owner, partner, director (council member), supervisor, manager, or spouse of an sole proprietorship, partnership, corporation, or institution that provides operational, legal, financial, or accounting services to the company or its affiliated enterprises. Exceptions apply to members of the Remuneration Committee that shall carry out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over The Counter.
- (8) No matters related to Article 30 of the Company Act.

Note 3: If the member ‘s identity is a director, please also clarify whether the member meets the regulation stated in Article 6-5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

b.Operation of the Remuneration Committee.

(a)There are 3 committee members in the company's Remuneration Committee.

(b) Committee member's term of office:

1st committee member's term of office: From Dec. 19th, 2011 to Jun. 15th, 2014

2nd committee member's term of office: From Aug. 8th, 2014 to Jun. 17, 2017

(c)In current fiscal year, 3 meetings were held (A). The committee member's status and attendances are as follows:

Title	Name	Attendance in Person (B)	Attendance in Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	CHEN, Chin-Chi	3	0	100%	-
Member	CHANG, Ling-Ling	3	0	100%	-
Member	LIU, Ju-Shan	1	0	100%	Is a director of the company. Resigned on Mar. 20, 2014. Before resignation, there was ONE meeting held.
Member	CHEN, Yung-Chun	2	0	100%	Newly appointed on Mar. 28, 2014. After being appointed, there were TWO meetings held.
<p>Other matters that should be noted:</p> <p>1.If the Board of Directors does not accept or intent to modify suggestions made by the Remuneration Committee, then date of Board of Director's Meeting, term, content of the motion, resolutions, and reactions to the suggestions made by the members of Remuneration Committee should also be addressed (If the remuneration proposal approved by the Board of Directors is better than the proposal suggested by the Remuneration Committee, the divergence and the reason should also be addressed): None.</p> <p>2.For motions that are determined by the Remuneration Committee, if committee members hold objective or withholding comments and such comments are recorded or taken down as written statement, then date of the meeting of Remuneration Committee, term, content of motions, all committee members' opinions and the reactions to the suggestions should also be addressed: None.</p>					

(6)The implementation of Corporate Social Responsibility

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
1.Implementation of Corporate Governance				
A.Whether the company establishes corporate social responsibility policy or system and reviews the efficacy of such policy or system?	✓		A.The company has established a “Corporate Social and Environment Responsibility (SER) Execution Booklet” and truly implements the corporate responsibilities based on the booklet.	No significant divergence
B.Whether the company regularly holds education trainings on the area of social responsibility?	✓		B.The company conducts SER-related education trainings per annum.	No significant divergence
C.Whether the company sets up a unit that is exclusively (or concurrently) responsible for promoting the corporate social responsibility in the company, and such unit should be in charged by high level management empowered by the Board of Directors and reporting directly to the Board of Directors?	✓		C.The company has established a SER Promoting Committee to be responsible for the planning, promotion, inspection, review, and improvement of the company’s social and environment policies. The committee is directly under the jurisdiction of the President. All the policies made are announced and promulgated to all the related parties after obtaining approvals from the Chairman.	No significant divergence
D.Whether the company establishes reasonable remuneration and salary policy, integrates employee’s performance evaluation system with the company’s CSR policy, and sets up effective and explicit reward and punishment system?	✓		D.While designing the remuneration system, the direction aims at stimulating employees to challenge higher remunerations based on a fixed salary base. The overall remuneration includes basic salary, rewards, and employee bonuses. The basic salary is determined by education, experiences, professional skills, and work performance. The company will never determine employees’ salary by their gender, religion, racial, nationality, political party, etc... The remuneration and protection of work conditions for every Fu Hsing staff are completely in compliance with local labor law and standards made by the International Bill of Human Rights. Fu Hsing’s “Work Practices” and publications	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			already include the concept of corporate reasonability and workplace ethics. Meanwhile, an individual performance evaluation sheet, which also links to employee's year-end performance evaluation, is also designed by taking considerations in team works, sense of responsibility, and compliances to company rules.	
2. Development for Environmental Sustainability				
A. Whether the company devotes to enhancing the utilization efficiency of all the resources and adopts recycled materials that create less impact to the environment?	✓		A. The company considers risk control factors for the environment based on ISO14001 environment management system and uses this to establish improvement goal and management policies in order to continuously make improvements. The company devotes to continuously promoting the execution efficacy on promoting resources utilization efficiency:	No significant divergence
B. Whether the company establishes a proper environment management system based on the industry characteristics?	✓		1. Water conservation proposal: a continuous execution in reducing water usage in cleaning and manufacturing procedures.	No significant divergence
C. Whether the company notices changing weather's impact on the company's operation activities and investigates greenhouse gas evaluation, sets up strategies to save energy, reduce carbon and greenhouse gas production?	✓		2. Energy saving proposal: the execution includes replacing old lighting system with energy saving lighting facilities, reducing electric power used in the manufacturing procedures, and continuously reducing the plant's electricity usage.	No significant divergence
			3. Alternative fuel proposal: replacing heavy oil with natural gas to be the process fuel to reduce impact to the environment.	
			4. Wastage reduction proposal: improving manufacturing facilities, reducing the use of sandpaper and packaging materials.	
			Also the company brings up a proposal to replace	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			<p>VOCs solvents to reduce stationary air pollution sources and its impact to the environment.</p> <p>B. The company's Environmental Protection Promotion System has obtained ISO 14001 certifications and is verified regularly every year.</p> <p>C. The company has a environmental protection strategy that connects to the concepts of saving energy, reducing carbon and green house air production:</p> <p>1.To effectively operate the company's environment management system, truly carry out environment management, pollution prevention and control system based on the spirit of continuously improvement, so as to reduce environmental impacts.</p> <p>2. To strengthen the improvements on manufacturing procedures, intensify the control on pollution prevention facility's work procedures, periodically exam work procedures as environmental protection regulation requested and make sure the regulations are met.</p> <p>3.To save energy and reduce carbon production. Resources are recycled and reutilized to reduce the consumption wastes and solidify pollution prevention system.</p> <p>4. To strengthen education training and promote all employees' environmental awareness in order to fulfill our responsibility to the environment.</p>	<p>No significant divergence</p> <p>No significant divergence</p>
<p>3.The Care for Social Welfare</p> <p>A.Whether the company makes related management policy and procedures according to laws and</p>	✓		A.The company's regulations and management system not only meets conditions requested by laws	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
International Bill of Human Rights?	✓		and regulations but also treats all the employees fairly and protects all's labor rights.	No significant divergence
B.Whether the company constructs complaint mechanism and channels for employees and properly handle employee's complaints?	✓		B.The company has already established employee's complaint mechanism and empowered a unit to specifically handle employee's complaints.	
C.Whether the company provides a safe and healthy work environment to employees and regularly holds employee's' safety and health education training?	✓		C. The company sets up a unit that is exclusively responsible for the management of labor safety and health, regularly convenes safety and health committee meeting, establishes and puts into effect of the "safety and health practices" for managing employee's work environment and facilities, periodically handles education trainings on labor safety and health in order to ensure providing a safe and healthy environment and a continuous improvement mechanism.	
D.Whether the company builds a regular communication mechanism with employees and notifies employees about operational changes that might be having significant influences on the company?	✓		D. (1) The company convenes a monthly morning meeting that requests the participation of all the Fu Hsing employees on every first week's Monday morning each month. During the morning meeting, the management can make important announcements, such as the company's operation status and major issues, to all the employees. (2)The company also uses meetings at all levels such as monthly operation meeting, weekly factory level meetings, weekly department morning meetings to pass down operation related information to all the levels. (3)The company has Labor-Management Meeting mechanism. 7 representatives are elected from the management side and 7 representatives are elected by and representing all the employees. The meeting	No significant divergence
E.Whether the company establishes effective professional skill development training plans for employees?	✓			No significant divergence
F.Whether the company develops related consumer rights protection policy and complaint procedures in the light of R&D, procurement, production, work, and service procedures?	✓			
G.Whether the company follows regulations and international standards to market and label the company's products and services?	✓			
H.Whether the company assesses supplier's past record to verify the supplier did not have bad history in influencing the environment and the society before the company takes the supplier?	✓			
I.Whether the company, while signing supplier's contract with major suppliers, includes a provision requesting suppliers not to violate the company's social responsibility or cause any significant impacts to the environment or the society, and clearly stating	✓			

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
that if suppliers breach the provision, the company may terminate or cease the contract at any time?			is convened regularly once a quarter. During the meeting, basic information including the company's operation status, total numbers of employees, etc... are reported, and also motions such as labor conditions, employee's benefits, and other employee's rights related issues are also brought up for discussions.	No significant divergence
			E.The company has constructed a multi-directional training system for employees. The system includes introductory training sessions for new employees, on-job trainings, real-time practices with assistance, job rotation system, and lectures with multiple topics. It is hoped by rich and diversified learning channels and proper career development plan, all the Fu Hsing employees have opportunities to utilize their expertise to work for the company and grow with the company.	No significant divergence
			F.The company has after-sale services for all the products and also carries out an effective customer complaint channel to assure all customers' rights.	No significant divergence
			G.Products manufactured by Fu Hsing have obtained various international production tests and certifications. For example, the ANSI standard and fireproof certification by the UL in the North America, and the CE certification in Europe, etc...	No significant divergence
			H.The company's suppliers must pass strict assessments in three areas, including Production Management, Quality Management, and Technology, to be a qualified supplier. Our four new suppliers in 2013 have already signed a statement agreeing to comply with the social and environment	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			responsibility with the company. This was a 100% achievement in 2013 in screening new suppliers that meet the society impact standard. I. Through all the different communication channels, the company keeps advocating quality, delivery term, C-TPAT and SER related issues. The company requests its suppliers to truly follow the regulation requirements. During the 2014 fiscal year, there was no supplier relationship termination due to social impacts by the company or its suppliers.	
4. Information Disclosure Enhancement A. Whether the company discloses relevant and reliable CSR related information on the company's website and on the Market Observation Post System?	✓		A. The company discloses a Sustainable Operation Reporting on the company's website (http://www.fuhsing.com.tw) and also discloses related information on the M.O.P.S. system of the Taiwan Stock Exchange.	No significant divergence
5. If the company follows "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" to establish the company's CSR rules, then the company should also state the implementation status and the divergence between the real practices and the rules: The company has established a "Corporate Social and Environment Responsibility (SER) Execution Booklet" based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed Companies" and formed an execution committee to carry out the planning, promotion, auditing, reviewing, and improvements of the company's SER policies and ensure the execution status is in conformity with the requested principles.				
6. Other important information that might help to understand the operation of the CSR practices: A. In response to the government's policy promulgation, the company has voluntarily completed the "2013 Taiwan Fu Hsing Sustainable Operation Reporting" based on the 4 th version of Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI). The reporting file can be downloaded from the company's website in the following web address: http://www.fuhsing.com.tw/proimages/admin/Taiwan_Fu_Hsing-CSR-fin(20141114).pdf . B. In order to enhance and maintain Fu Hsing employees' health and safety and also to promote the safety and benefit of the company's assets and facilities, the company provides a safe and healthy work environment and establishes "Safety and Health Work Practices" following the conditions requested in Occupational Safety and Health Act. C. The company set up "Taiwan Fu Hsing Cultural and Educational Foundation" as early as in the year of 2001 to make devotions in cultural education and social care. Till today, the Foundation has obtained Excellence Grade in the Comprehensive Evaluation by the Education Bureau, Kaohsiung City				

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
Government for the 8 th consecutive years and has gained praises in public for many times.				
7.If the company’s CSR report passes the verification standard of related verification institution, the company should also make explanations: The company has not yet passed any verification standards by related verification institutions, but the company has completed and disclosed a Sustainable Operation Reporting.				

(7)The implementation of ethical operation and the implementation manners used.

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
1.Ethical Management Policy and Plan A.Whether the company explicitly states the company’s policy and method toward ethical management and also the promise made by the Board of Directors and the company’s management of carrying out ethical management policies actively and honestly? B.Whether the company prescribes prevention programs to guard against unethical conducts and clearly stipulates work procedures, behavioral guidance, punishment at violation, and complaint system in each program and truly executes the stipulation? C.Whether the company adopts any prevention programs to forestall any activity stated in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other operation activities that might have higher unethical conducts in other business scope?	✓ ✓ ✓		A.The company has its own “Ethical Management Principles”. A legal unit is empowered to handle the work procedures and the amendment, execution, explanation, consulting, recording & filing, and execution under supervision of such behavior guidance. While encountering with unethical conducts, the handling and follow up discussions on the improvements should be reported to the Board of Directors. B.The company has established “Guidance for Ethical Operation Procedures and Behaviors”. The guidance clearly stipulates that all Fu Hsing employees, while engaging in any of the commercial activities, should explicitly acknowledge the trading parties about the company’s ethical operation policies and related rules and should reject directly or indirectly to provide, promise, request or receive any of the illegitimate benefits in any forms or for any nominal reasons, including rebates, commission, mediation fees, or through their channels to provide or collect illegitimate benefits. C. For assuring the implementation of ethical operation, the company has established effective accounting system and internal control system. The internal audit personnel also regularly inspect and review the compliant status.	No significant divergence No significant divergence No significant divergence
2.Ethical Operation Implementation A.Whether the company assesses corresponding parties’ past credit histories and explicitly sets up ethical behavior		✓	A.The company has not yet set up ethical behavior clauses in business contracts with corresponding	No significant divergence

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<p>clause in any of the contracts signed with the corresponding parties?</p> <p>B. Whether the company establishes a unit that is exclusively (concurrently) responsible for promoting corporate ethical management and operation and reporting to the execution status to Board of Directors regularly?</p> <p>C. Whether the company establishes conflicts of interest prevention policy, provides proper declaration channels, and truly carries out the policy?</p> <p>D. Whether the company has established effective accounting system and internal control system, and empowers internal audit unit to carry out periodic inspection or entrusted accountants to carry out inspections on the systems in order to carry out ethical operation?</p> <p>E. Whether the company regularly holds internal or external education trainings in the light of ethical operations?</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>parties. But this is under planning.</p> <p>B. The company has not yet set up a special unit that is exclusively responsible for corporate social responsibility. All the groups and departments carry out the corporate social responsibility according to their functions and operations.</p> <p>C. The company has “Work Rules” that clearly states that Fu Hsing employees cannot use their authority of office to gain benefits for themselves or for others and Fu Hsing employees cannot accept gifts and services, collect rebates or have other illegitimate benefits due to official conducts or infringed official conducts.</p> <p>D. The company has established effective accounting system and internal control system, and empowers internal audit unit to carry out periodic inspection on the systems in order to carry out ethical operation.</p> <p>E. The company is planning ethical operation related internal and external education trainings.</p>	<p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p>
<p>3. The Operation of Accusation (Whistle-Blowing) System</p> <p>A. Whether the company establishes specific accusation and awarding system and creates convenient accusation channels, and whether proper personnel are appointed to investigate the being reported person and handle the case?</p> <p>B. Whether the company sets up standardized investigation work procedures and related security system while handing the accusation cases?</p> <p>C. Whether the company adopts some protection mechanism to protect reporter from encountering improper punishment?</p>	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>A. The company has established “Internal Whistle Blowing Guidelines” and assigned Administrative Department as the receiving unit.</p> <p>B. The company has set up “Internal Whistle Blowing Criteria”. After receiving accusation cases, the receiving unit should summarize the information and collect evidence and other related information, then report to the Board of Directors.</p> <p>C. The related protection mechanism is still under planning.</p>	<p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p>

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
4. Information Disclosure Enhancement A. Whether the company discloses the contents of ethical operation criteria and the implementation efficacy on the company's website and on the Market Observation Post System?	✓		The company has established "Guidance for Ethical Operation Procedures and Behaviors" and disclosed it on the company's website and on the M.O.P.S. Meanwhile, following other related laws and regulations, the company also uses the guidance as a basis of the company's ethical operation and management.	No significant divergence
5. If the company follows "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to establish the company's ethical management rules, then the company should also state the implementation status and the divergence between the real practices and the rules: None.				
6. Other important information that might help to understand the operation of ethical management practices: A. The company follows the regulations and rules stated in the Company Act, Securities and Exchange Act, Business Entity Accounting Act, related chapters for TWSE/GTSM listed companies and regulations relating to other commercial behaviors and takes such rules and regulations as basis to carry out ethical management practices. B. The company has established Board of Director's conflict of interest system in its "Rules of Procedures for Board of Director's Meeting". During the Board of Director's Meetings, if any director or director's represented corporation has conflict of interest on motions submitted on the meeting and such conflict of interests matter may bring risks to harm the company's benefit, then the director must state his comment on the motions and answer all related question. Besides, the director should not enter in to the motion's discussion or voting and should avoid his presence while the motion is brought up for discussion and voting. He cannot execute any voting right on the motion even if acting for directors. C. The company has established "Management Procedures to Prevent Insider Trading". The company carries out education trainings and guidance on the company's directors, supervisors, managers, employees, important information related units, and objects of the important information, and signs confidentiality agreement with them. Besides, the company also irregularly checks on insider's security trading information to see if there is any extraordinary trading circumstances and pays special attention on the management and storing of document, files, and e-records relating to the company's important information.				

(8) If the company has established its own ethical corporate management principles and related policies, then the inquiry method should also be addressed: The company has promulgated Ethical Corporate Management Principles, Rules of Procedures for Shareholders' Meeting, Rules of Procedures for Board of Director's Meeting, Internal Whistle Blowing Guidelines, Work Procedures to Handle Significant and Important Information, and a comprehensive internal control and

internal audit system in order to truly carry out and promote Fu Hsing's corporate governance system.

(9) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: None.

(10) Corporate governance related continuing education listed below were courses taken by managers:

1. Securities & Futures Institute - "Ethical Corporate Management and Corporate Social Responsibility Forum for TWSE/GTSM Listed Companies".
2. PWC Foundation – 2014 PWC CSR and Corporate Governance Seminar.
3. Accounting Research and Development Foundation – Continuous Education for Accounting Managers (Year 2014)

(11)The implementation of internal control system.

a. Statement of Internal Control System

Date: March 20th, 2015

The company has conducted a self-assessment of internal controls for the year of 2014. The results are as follows:

(a)The company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The system has already been duly established in the company with purposes to provide a reasonable assurance of the company's efficient and effective operations (including the profits, performance and safeguard of assets, etc...), to ensure the reliability of financial reports, and to reasonably assure the compliance to applicable laws and regulations.

(b)The company also acknowledges that the Internal Control System has inherent constraints irrespective of how comprehensive the system design is and therefore could only provide a reasonable assurance on the three above-mentioned goals. Due to changes in the environment and circumstances, the effectiveness of the Internal Control System may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the company would enforce corrective measures immediately.

(c)The company evaluates the effectiveness and execution of its Internal Control System according to the guidelines defined in the "Regulations Governing Establishment of Internal Control Systems by Public Companies ("the Guidelines" hereinafter) set forth by the Financial Supervisory Commission. The Guidelines divide the internal control system into 5 major elements: 1) Control environment; 2) Risk assessments; 3) Control operations; 4) Information and communication; 5) Monitoring. Each element includes certain factors. Please refer to "the Guidelines" for the detailed factors.

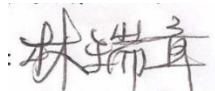
(d)The company has assessed and evaluated the design and execution effectiveness in light of above-mentioned internal control system elements.

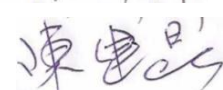
(e)On the basis of the self-assessment, the company is of the opinion that the company's Internal Control System (including the governance to its subsidiaries), including the acknowledgement on the efficiency and effectiveness of operations and achievements, reliability of financial report, and the compliance to applicable laws and regulations due to the design and execution of its Internal Control System, is effective and provides a reasonable assurance of achieving the above-mentioned goals.

(f)The Statement of Internal Control System will be a prominent feature of the company's annual report and prospectus. It will also be released to the public. Should any statement herein involve forgery, concealment or any other illegalities, liabilities stated in Articles 2, 32, 171, and 174 of the Securities and Exchange Act shall apply.

(g)The statement has been approved in the Board of Director's Meeting on March 20th, 2015 with 4 directors presenting at the meeting and 0 holding objection opinion on the contents of this Statement of Internal Control System.

Taiwan Fu Hsing Industrial Co., Ltd.

Chairman :  Signature

President :  Signature

b.If the company is requested by the Securities and Futures Bureau to entrust accountants to audit its internal control system, the company should also disclose the accountant's audit report: Not applicable.

(12)Regulatory authorities' legal penalties to the company and its employees, and the company's punishment to its employees due to violation to the company's internal control policy in the most current fiscal year and the current fiscal year until the printing date of this annual report: None. °

(13)Important resolutions made in the Shareholders Meeting and Board of Director's Meeting in the most recent fiscal year and up until the printing date of this annual report.

a.Shareholders' Meeting

Date	Important Resolutions	Execution Status
June 18, 2014	Adoption of the 2013 business report, financial statements and earnings distribution proposal.	On Jun. 24, 2014, the Chairman resolved to set the ex-dividend date on Jul. 15 th , 2014 and Aug. 08, 2014 as the cash dividend distribution date.
	Approval on the election of the Board of Directors and Supervisors	The term of directors and supervisor is three years, The term of office for current directors and supervisors starts from Jun. 18, 2014 to Jun. 17, 2017. The elected Directors: LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (representative of Hong He Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Zhi Investment Development Co., Ltd.) Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) The elected Supervisors: LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Di (representative of Fu Yuan Investment Co., Ltd.)
	Approval on the proposal to relief newly elected directors from non-competition restrictions	The non-competition restriction on the newly elected directors has been relieved according to the resolution on the Shareholders' Meeting.

b.Board of Director's Meeting

Date	Important Resolutions
Mar. 28, 2014	Acknowledgement on the 2013 Business Report and Financial Statements
	Proposal to add one remuneration committee member.
	To change certifying accountants in cooperation with PwC Taiwan's internal job rotation.
May 5, 2014	Proposal on the election of the Board of Directors and Supervisors was brought up for discussion.
	Proposal to relief newly elected directors and supervisors from non-competition restrictions was brought up for discussion.
	To resolve 2013 earnings distribution.
	To relief managers from non-competition restrictions.
Jun. 18, 2014	To elect the new chairman of the Board, because this was the first Board of Director's Meeting after the election of new directors.
Aug. 8, 2014	To re-elect remuneration committee members.
Nov. 7, 2014	To establish the company's "Certifying CPA's Independence Assessing Method" and report the independence assessing results of current certifying CPA.
Mar. 20, 2015	Result of the independence assessment on current year's CPA was brought up for discussion.
	To acknowledge the 2014 Business Report and Financial Statements.
	To resolve the 2014 earnings distribution.
	To discuss on the modifications of some articles in the company's "Articles of Incorporation".

(14)Whether any director or supervisor ha different opinions on the approved important resolutions during the Board of Directors' Meetings in the most recent fiscal year and up until the date of printing of this annual report and such different opinions were recorded or taken down as written statement: None.

(15)The summary of post resignation or dismissal of personnel whose job might be relating to the company's financial reports in the most recent fiscal year and up until the date of printing of this annual report: None.

5.Information on certifying accountants

Name of Accounting Firm	Name of Accountant		Review Period	Remark
PWC Taiwan	LIAO, A-Shen	LIU, Tzu-Meng	2014	Job rotation system of the accounting firm
PWC Taiwan	WANG, Kuo-Hua	LIAO, A-Shen	2013	

6.Information on certifying accountant's professional fees

(1)Information on accountant's professional fees

Monetary unit: NTD1,000

Type		Audit fee	Non-Audit fee	Total
Fee Range				
1	Below NT\$2,000		600	600
2	NT\$2,000 (including)~NT\$4,000	3,660		3,660
3	NT\$4,000(including)~NT\$6,000			
4	NT\$6,000 (including)~NT\$8,000			
5	NT\$8,000(including)~NT\$10,000			
6	NT\$10,000 and above			

(2)Non-Audit fee that accounted to one fourth or above of the auditing fees:

Monetary unit: NTD1,000

Name of Accounting Firm	Name of Accountant		Audit Fee	Non-Audit Fee					Review Period	Remark
				System design	Business registration	Human resource	Others	Total		
PwC Taiwan	LIAO, A-Shen	LIU, Tzu-Meng	\$3,660	-	-	-	\$600	\$600	2014	Note

Note: the company does not have any of the conditions listed in Article 10-5-1 of the Regulations Governing Information to be published in Annual Report of Public Company that requires further disclosure.

(3)Change of accounting firm and the audit fee paid is less than previous year before the change of accounting firm: Not applicable.

(4)Audit fee is 15% or more less than the previous year: Not applicable.

7.Information on the change of certifying accountants in the most two recent fiscal years and any subsequent interim period: Not applicable

8.Whether the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: No.

9. Change of shareholding for directors, supervisors, manager, and major shareholders.

Title	Name	2014		Jan. 1 st , 2015 ~ Mar. 31 st , 2015	
		Increase (Decrease) of shares held	Increase (Decrease) of shares pledged	Increase (Decrease) of shares held	Increase (Decrease) of shares pledged
Chairman	LIN, Jui-Chang	0	0	0	0
Director & President	CHEN, Chien-Kun	0	0	0	0
Director	Representative of Hong He Investment Co., Ltd.: CHU, Jung-Ho	0	0	0	0
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	0	0	0	0
Director	Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan	0	0	0	0
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	0	0	0	0
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	0	0	0	0
Group President	CHU, Jung-Ho	0	0	0	0
Group President	LIN, Teng-Tsai	0	0	0	0
Vice President	CHANG, Jui-Pi	0	0	0	0
Vice President	WANG, Han-Ting	0	0	0	0
Director	LIN, Tzu-Hsuan	0	0	0	0
Director	LI, Chen-Hui	0	0	0	0
Director	LIN, Shih-Huang	0	0	0	0
Director	CHANG, Chin-Sheng	0	0	0	0
Chief Finance Officer	LI, Kuo-Wei	0	0	0	0
Plant Manager	CHUNG, Hsuan-Tung	0	0	(2,000)	0

10.Information on the top ten shareholders and their interrelationships.

Name	Shares held in person		Shares held by spouse and minor children		Shares held under others name		Relationship among top 10 shareholders including spouse and within 2 nd degree relative as stated in No.6 of the Accounting Standard		Remark
Person in Charge	Shares	%	Shares	%	Shares	%	Title / Name	Relationship	-
Fu Yang Investment Co., Ltd.	18,741,560	9.94%	-	-	-	-	-	-	-
SUNG, Chen-Ning							-	-	-
HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.98%	-	-	-	-	-	-	-
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%	-	-	-	-	Hong Cheng Investment Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung.	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Lian Guang Investment Co.	A 2 nd degree relative with the company's Chairman	-
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5%	-	-	-	-	Lian Guang Investment Co.	Both companies' Chairman is LIN, Wen-Hsing	-
							Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Xun Investment Ltd.	A 2 nd degree relative with the company's Chairman	-
Chinatrust Commercial Bank Trust Account	8,000,000	4.25%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	6,096,000	3.23%	-	-	-	-	-	-	-
Hong Cheng Investment Co., Ltd.	5,721,451	3.04%	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Xun Investment Ltd.	A 2 nd degree relative with the company's Chairman	-
							Lian Guang Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-

Name	Shares held in person		Shares held by spouse and minor children		Shares held under others name		Relationship among top 10 shareholders including spouse and within 2 nd degree relative as stated in No.6 of the Accounting Standard		Remark
Person in Charge	Shares	%	Shares	%	Shares	Person in Charge	Shares	%	Shares
Fu Xun Investment Co., Ltd.	5,497,300	2.92%	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	
							Hong Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Lian Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	
Lian Guang Investment Co., Ltd.	4,210,417	2.23%	-	-	-	-	Fu Investment Enterprise, Co., Ltd.	Both companies' Chairman is LIN, Wen-Hsing	-
							Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Hong Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fubon Life Insurance	4,086,000	2.17%	-	-	-	-	-	-	-

11.Composite holding percentage

Unit: shares / %

Invested Enterprise (Note)	Fu Hsing's stake		Stake of Fu Hsing's directors, supervisors, managers and enterprise that Fu Hsing directly or indirectly has controlling power over		Composite holding	
	Shares	%	Shares	%	Shares	%
Arctek Industrial Co., Ltd.	1,260	70%	-	-	1,260	70%
FU HSING AMERICAS INC.	300,000	100%	-	-	300,000	100%
MASTER UNITED INVESTMENT GROUP LTD	15,600,000	100%	-	-	15,600,000	100%
FORMFLEX ENTERPRISE CO., LTD	23,704,000	100%	-	-	23,704,000	100%
ALLEGION FU HSING HOLDINGS LTD.	8,967,392	49%	-	-	8,967,392	49%
ALLEGION FU HSING LTD.	Note 2	49%	-	-	Note 2	49%
Fortress Industrial Co., Ltd.	26,775,000	100%	-	-	26,775,000	100%
Hundure Technology Co., Ltd.	3,513,482	51%	-	-	3,513,482	51%
Tong Sing Co., Ltd.	100,000	100%	-	-	100,000	100%

Note 1: Refers to long term investment under equity method.

Note 2: Not applicable, the company does not issue securities. The stake is shown in %.

D.Capital Raising Activities

(1)Source of capital stock

Time	Issuance Price	Authorized Capital Stock		Paid-In Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Non-cash stock subscription	Others
March 2004	10	242,400,000	2,424,000,000	177,257,541	1,772,575,410	Common stocks converted from convertible bonds \$70,893,250	—	—
April 2004	10	242,400,000	2,424,000,000	166,643,832	1,666,438,320	Capital reduction of \$106,137,090 when merged a subsidiary	—	—
July 2004	10	242,400,000	2,424,000,000	187,375,650	1,873,756,500	Common stocks converted from convertible bonds \$20,731,818	—	—
October 2004	10	242,400,000	2,424,000,000	187,443,733	1,874,437,330	Common stocks converted from convertible bonds \$680,830	—	—
August 2005	10	242,400,000	2,424,000,000	191,991,170	1,919,911,700	Capital increased deriving from stock dividends and employee's stock bonus \$45,474,370	—	Approved by Correspondence Jin-Shou-Shang-Zi No.09401165300 on Aug. 29, 2005
April 2009	10	242,400,000	2,424,000,000	188,452,170	1,884,521,700	Capital reduction of \$35,390,000 by treasury stock retirement	—	Approved by Correspondence Jin-Shou-Shang-Zi No.09801062510 on Apr. 1, 2009

Type of Shares	Authorized Capital Stock			Remarks
	Outstanding shares	Un-Issued shares	Total	
Common Stock	188,452,170	53,947,830	242,400,000	-

(2)Shareholding Structure

Shareholding structure Amount	Government Institution	Financial Institution	Other Juridical Persons	Individual	Foreign Institutions and Foreign Investors	Total
Numbers	2	28	49	9,648	55	9,782
Shares Held	336,000	34,356,050	73,102,618	53,305,864	27,351,638	188,452,170
Shareholding %	0.18%	18.23%	38.79%	28.29%	14.52%	100%

(3)Dispersion of shareholding

Face value NT\$10 per share/Mar. 31, 2015

Range	Number of Shareholders	Number of Shares Held	Shareholding %
1 ~ 999	4,186	7,277,780	1.37%
1,000 ~ 5,000	4,142	86,400,670	16.21%
5,001 ~ 10,000	700	55,312,120	10.38%
10,001 ~ 15,000	199	25,706,110	4.82%
15,001 ~ 20,000	135	25,378,170	4.76%
20,001 ~ 30,000	113	29,115,860	5.46%
30,001 ~ 50,000	70	28,547,240	5.36%
50,001 ~ 100,000	50	34,699,160	6.51%
100,001 ~ 200,000	21	28,139,720	5.28%
200,001 ~ 400,000	13	33,667,150	6.32%
400,001 ~ 600,000	3	15,733,960	2.95%
600,001 ~ 800,000	9	65,228,580	12.24%
800,001 ~ 1,000,000	3	26,559,800	4.98%
≥1,000,001	4	71,292,320	13.36%
Total	9,782	188,452,170	100.00%

(4)Name List of Major Shareholders

Shareholding Name of Major Shareholder	Shares Held	Shareholding %
Fu Yang Investment Co., Ltd.	18,741,560	9.94 %
HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.98%
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5.00%
Chinatrust Commercial Bank Trust Account	8,000,000	4.25%
Nan Shan Life Insurance Company Ltd.	6,096,000	3.23%
Hong Cheng Investment Co., Ltd.	5,721,451	3.04%
Fu Xun Investment Co., Ltd.	5,497,300	2.92%
Lian Guang Investment Co., Ltd.	4,210,417	2.23%
Fubon Life Insurance Co., Ltd.	4,086,000	2.17%

Share prices, net worth, earnings, dividends, and other related information in the most recent two fiscal years.

List \ Year		2013	2014	Current year until Mar. 31th, 2015 (IFRS-Consolidated)
Price per Share	Highest	39.30	33.65	43.65
	Lowest	25.50	27.80	30.15
	Average	29.96	30.68	37.47
Book Value per Share	Before profit distribution	23.26	24.37	25.23
	After profit distribution	21.26	(Note 1)	(Note 1)
Earnings per Shares	Weighted Average Shares	188,452,170	188,452,170	188,452,170
	EPS	3.08	2.7	0.88
Dividend per Share	Cash dividend	2	2	—
	Stock dividend	From Retained Earning	—	—
		From Additional Paid in Capital	—	—
	Accrued unpaid dividend	—	—	—
Return on Investment	PE Ratio (Note 2)	9.73	11.36	—
	Price to Dividend Ratio (Note 3)	14.98	15.34	—
	Cash Dividend Yield (Note 4)	6.68%	6.52%	—

Note 1: Until the printing date of the annual report, the proposal of 2014 earnings distribution has not yet been resolved in Shareholders' Meeting.

Note 2: PE Ratio= Averaged share price of the year / EPS.

Note 3: Price to Dividend Ratio = Average share price of the year / Cash Dividend per share.

Note 4: Cash Dividend Yield = Cash dividend per share / Averaged share price of the year.

(5) Dividend policy and the implementation

a. Dividend policy

The company is in a steady growth stage in its life cycle in a volatile industrial environment. In consideration of future fund requirements, long term financial planning, and the need to meet shareholder's expectation of cash returns, the company adopts an earning surplus dividend policy.

Each year after paying taxes according to relevant laws and offsetting previous years' losses, the company will set aside a legal reserve that is equivalent to 10% of its net income of the year and a special reserve based on the deduction amount on shareholder's equity account of the year first. If there is still surplus after such reserves, the appropriation of the remaining net earnings shall

be proposed by the Board of Directors and sent for approval during the shareholder's meeting. Nevertheless, remunerations paid to directors and supervisors should not be less than 1% of the remaining net earnings and employee bonuses should not be less than 3% of the remaining net earnings. Bonuses paid to shareholders and employees can be in cash or by shares distribution. The distribution of cash dividend should not less than 10% of the total dividends of the year. If there is accumulated loss in the previous year or loss in current year causing insufficient net earnings to be appropriated as a special reserve, a same amount of special reserve should be appropriated from the previous year's accumulated un-appropriated earnings and should be deducted before distributing dividends to shareholders.

Employees, who are entitled to receive stock bonus, may include employees working in the subordinate companies. The company's Chairman shall determine the qualifications.

b. Earnings distribution proposal in the current Shareholder's Meeting:

(a) Shareholder's cash dividend: NT\$2 per share (for a total of \$376,904,340).

(b) Employee's cash bonus: NT\$25,000,000.

(c) Remuneration paid to directors and supervisors: NT\$ 12,000,000.

(6) Effects of proposed stock dividend distribution to the company's operation performance and earnings per share: None.

(7) Employee's bonuses and remunerations paid to directors and supervisors:

a. The percentages or ranges with respect to employee bonuses and director/supervisor compensation, as set forth in the company's articles of incorporation: The detailed information can be looked up in the Handbook distributed in the Shareholders' Meeting of the year.

b. The basis for estimating the amount of employee bonuses and director/supervisor compensation, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The amount of discrepancy will be taken as profit/loss in the following year.

c. Information on any employee bonus distribution proposal approved by the board of directors:

(a) Distribution of cash bonuses or stock bonuses to employees, and compensation for directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

i. Proposal on the Board Meeting on Mar. 20th, 2015: To distribute \$25,000,000 as employee's cash bonus and \$12,000,000 as remunerations paid to directors and supervisors.

ii. The above mentioned employee's cash bonus and remunerations paid to directors and supervisors do not have discrepancies with the estimated amount in 2014.

(b) The amount of proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee bonuses: Not applicable, because this year the company does not distribute any employee's stock bonus.

(c)The effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor compensation: \$2.70.

d.The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it is treated.

(a)Resolved on the Shareholders' Meeting on Jun. 18th, 2014: To distribute \$23,000,000 as employee's cash bonus and \$9,000,000 as remunerations paid to directors and supervisors.

(b)The above mentioned employee's cash bonus and remunerations paid to directors and supervisors do not have discrepancies with the estimated amount.

(8)Shares buyback situation: None.

(9)Issuance of corporate bond: None.

(10)Issuance of preferred stock: None.

(11)Issuance of global depository receipt: None.

(12)Employee stock option: None.

(13)Mergers or acquisitions, and issuance of new shares due to acquisition of shares of other companies: None.

(14)The implementation of capital allocation plan:

For the period as of the quarter preceding the date of printing of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement: None.

E. The Operations

1. Operation

(1) Scope of Business

a. Main contents of the business

- i. Manufacturing and sale of metal furniture
- ii. Manufacturing and sale of door locks and metal parts for door (closers)
- iii. Manufacturing and sale of vehicle accessories and sports goods
- iv. Agency of vehicles and accessories thereof
- v. Manufacturing and sale of molds and dies
- vi. Business of surface treatment
- vii. Agency of above-listed products for suppliers, domestic or foreign, in offering, bidding, distribution and export
- viii. All business items that are not prohibited or restricted by law, except those that are subject to special approval

b. Analysis of operation revenues

Item	% of Total Revenue
Door related metal parts	100%

c. Current Products and Services

Name of Products	Services
Superior door locks	To provide traditional/electronic door lock to reinforce the safety of use environment
Door closers and hinges	To provide door related hardware products other than door locks to enhance the convenience of use environment
Panic exit device	To provide customers with complete solutions in relation to fire exit door lock to reduce damages during fire disasters

d. Planned new products and services

(a) Door lock and panic exit devices

- i. The expansion on the U.S. highest grade, ANSI Grade 1, flat bar lock and the surface treating technology.
- ii. Door locks products that meet U.S. new standards (GA/GB/GC).
- iii. Handle that meets Australia new fire regulations.
- iv. Zinc alloy made door lock products with modern design.
- v. Touch control electronic door lock with various designs.
- vi. Home automation system products.
- vii. Multi-family access control system.
- viii. The development of U.S. highest grade, ANSI Grade 1, panic exit device (for commercial and heavy type).

ix. Electronic parts relating to panic exit devices.

(b) Door closers

- i. Highly efficient door closers and the accessories that meet EU's EN standard.
- ii. Door closers that meet U.S. ANSI Grade 1 standard.
- iii. Door closer arranging in pairs with electronic accessories.
- iv. EU standard heavy type door/floor hinge related products.

(2) The industry

a. Current status and development of the industry

As time goes by and people's notions change along the time, door lock is no longer simply playing the role as a safety manager. In current days, artistic look and convenient are major factors that affect consumers' decision while purchasing door locks.

In the world, the major hardware product markets still focus in North America, Germany, Japan and China, among which the U.S. market is the largest. Also due to the popularity of D.I.Y. trend, consumers nowadays like to shop and choose their favorite products directly in hypermarkets. Thus, providing various choices has become a fundamental need for hypermarkets.

After the 2008 financial crises, the U.S. housing market gradually recovers, driving the need for door type hardware products. Also, the increasing cost of land and changes in house purchasing habits make Multi-family access control system become the leading product in current market. Thus, how to provide door lock product according to market demands timely is going to be one important lesson in developing door lock products.

Taiwan now has higher level production technology and R&D capability. Moreover, robust and elastic marketing strategies and internationalized professional division of labor in production operation has enabled Taiwan's lock manufacturing industry to become the market leader in global markets.

b. Interrelationship of the upstream, midstream and downstream industries

Upstream Industry
Basic metal industry
Midstream Industry
Mold design and manufacturing industry
Metal product manufacturing industry
Downstream Industry
Retail market
OEM factories
Construction related industries

c. Product development trend and market competitions

(a) High end door lock and panic exit device business

i. Product development trend

For meeting with the growth of global economy, consumer's need and notion in door lock products is no longer limited in traditional lower cost products with single function. Product's artistic looks, safety function, convenience, and other functions are now major factors affecting consumer's purchasing decision. As for the door closer products, now are paying more attention on fire-proof and high efficiency in order to meet fire regulations and disability

regulations.

ii. Market competition

Based on product market segmentation, current major competitors are as follows:

◆ High-Price Products

Major customers include locksmith market and distribution channels for architectural hardware products that specifically need professionally certified product specs. Major competitors are manufacturers of local famous brands in Europe and North America.

◆ Mid-Price Products

Major customers include architectural hardware products importers in the U.S. and Canada and also large retail channels in replacement markets such as Home Depot, Lowe's, Wal-Mart, etc... The major suppliers for this segmentation are Taiwan Fu Hsing Industrial Co., Ltd. and Tong Lung Metal Industry Co., LTD. and others.

◆ Low-Price Products

Major customers include customers in replacement market that do not stress on the safety and low-priced construction market. The major supplying source is from Mainland China.

(b) Door closer business

i. From mid- and low-end rack and pinion door closer to the developing high-end CAM action door closer, the R&D ability, production ability, and product's added value are all enhanced.

ii. Research and develop high-end full functional and highly durable door closer, panic exit devices and accessories, and invest in higher technologies to meet the accuracy demands for manufacturing high end door closers. It is hoped to utilize a complete product line with high quality to take the lead among other manufacturers.

iii. Connect with electronic technology to develop high-end electronic gate controller products, including electronic door closer, electronic Hold Open, and smoke detectors to meet with future trend and market demands.

iv. Self-manufacturing and processing high end door closer's key parts to ensure product quality and secure core technology. Also, part's self-production rate and automation procedures are also increased to reduce cost and enhance market competitiveness.

(3) Profile of technology and R&D

In the current year (2014), the company invested in 201,436 thousand dollars in R&D, increased about 24.9% comparing to 2013. Also, the company obtained 20 domestic patents and 15 international patents, for a total of 35 patents domestically and internationally for the year. The accumulated number of patents obtained is 700.

(4) Long-term and Short-term business development plan

Door type hardware market has been re-organized in recent years after the global economic depression and financial crisis caused by the subprime mortgage problems in North America. The new house market and construction market in North America has gradually recovered starting from 2012. After inventory cleaning, customers in the retailing replacement market started to replenish and increase inventory level in 2014. Consumers have higher demands in decorations. The need for newly constructed houses, especially congregate housing, increased

significantly. The trend is expected to last for following 2-3 years. The company's business development plan in the short term besides keep solidifying and strengthening current OEM and ODM customer's marketing channels will also utilize market supply and distribution channels to continuously integrating all the advantageous business opportunities. The company expects to develop and add 3-4 new strategically allied clients to expand the company's market share.

For long term development, the following methods are planned:

a.as for product strategy: to strengthen R&D ability and promote R&D speed to meet with market's fast changes. Also the company will use product integration, lean production, and effective supply chain division to reduce the cost of products and enhance product quality. Each year, according to the market trend the company will set an explicit blue-printed plan for product development to increase the width and depth of product lines, so as to promote product's added value. Besides keep promoting developed high-end for commercial use Grade 1 products and electronic lock products to OEM and ODM marketing channels, the company will further progress to home automation system to help upgrade to a comprehensive security system.

b.as for pricing strategy: by strategically allied with major groups, the company will further promote current mature product line to reach its economy scale and become the largest supplier with strong pricing power. As for high end products, the company will continuously devote to developing higher value added products and differentiated products and not to carry out irrational price competitions in order to increase the profits.

c.as for brand strategy: besides continuously enhancing the cooperation with EU, U.S. and Japan's dominant distribution channels and OEM brands, Fu Hsing is going to further integrate its own brands. For Taiwan domestic market, "Jia An" will still be the primary brand. For exports, the company will use "Faultless" to penetrate into mid-and low-end family use door lock market and cooperate with "Arctek" to penetrate into mid-and high-end commercial use door lock, door closers and hinges to be a complete product line and provide customers with more diversified choices.

d.as for distribution strategy: besides continuously working with long-term strategic partner, ALLEGION Group, and maintaining current distribution channels, the company also actively fight for the cooperation with other national security hardware groups, such as Stanley, Assa Abloy, to form a strategic supplying chain. Meanwhile, the company will also aggressively develop and expand to emerging markets in Asia Pacific, Middle East, Central South America, as well as European market to increase its global market share.

2. Market and the Production-Marketing Situation

(1) Major marketing area and the market share

The company targets at marketing to global market. The exporting amount was about 95% of the company's total revenue. Among the export sales, sales to the North America market (the U.S., Canada, and Mexico) was the largest and accounted to 63% of total export sales. Others such as sales to New Zealand and Australia were about 5% and to other areas (Asia, Central South America, and Europe) was about 32%.

By providing complete services and superior quality, the comp has successfully promoted its products into international market and plays a significant role in global door-type hardware product market.

(2)Future Market Demand and the Growth

a.In North America, the demands in retail and construction market are still expect to have significant growth in 2015 comparing to 2014. This will significantly aid the company's sale in major products. The demand in EU market will basically stay flat with 2013 sales.

b.For South East Asia and Central South America, due to centralization in low-priced products, these markets will still be affected by China products' low price competition. Especially when China products enjoy preferential tariff in S.E. Asia market, so the market growth is relatively limited. The company expects the demands in these areas will stay flat.

c.In New Zealand and Australia markets, with the promotion of new products and development of new projects and new clients, the company expects the demand in these markets will slightly grow continuously.

d.For domestic market, the unclear housing policy in 2014 delayed construction projects, so the overall new housing releasing cases were relatively decreased. The company estimates that although the market trend is still unclear and so causing slow demand, the launch of new electronic lock products will further complete the product line and may increase the sales in local market and create a new sales market for the company.

e.Major EU and U.S. manufactures are continuously promoting the integration of product brands and product alliance and keep releasing OEM opportunities in door closers and European style door locks.

f.The demand for commercial door locks, comparing to home door locks, is still showing steadily growth trend.

(3) Favorable factors and unfavorable factors that might affect the company's future operations

a. Favorable factors

(a)The strength of internationalized production division in 3 Taiwan plants (Fu Hsing Kangshan plant, Fortress plant, and ARCTEK plant) and 2 China plants (Taichang plant and Changshu plant) is favorable for vertical integration of parts supplying and production coordination of different parts to ultimately meet customer's needs.

(b)Fu Hsing's U.S. subsidiary keeps playing the role to timely negotiate procurement plans with local clients, strengthen the supports on inventories, after-sale service, and e-commerce production distribution to effectively penetrate into a new distribution in e-marketing and promote market share in full scale.

(c)Fu Hsing's subsidiary in Shanghai, the Arctek (Shanghai) International Trading Co, Ltd., has entered into China's hardware gate controller market and has set up its distributions in the market. China's urbanization in recent years is going faster. In the next few years, the potential market demand in gate controller hardware is having an increasing trend, and this is favorable to the development of construction hardware industry in China.

(d)Fu Hsing has confirmed with its North America retail clients' procurement intension for exclusively providing door lock products of its own brand. While cooperating with product

shelf re-design and the launch of new products and promotions, the sales is expected to increase.

(e)All plants have high automation level, sufficient facilities, and mature production design and technology, so the company and its related companies can provide differentiated products according to customer's different needs.

b.Unfavorable factors

(a)China secondary product's low-price competition continues and breaks the market's pricing order, so as to increase the difficulty in the achievement of profit target.

(b)The cost pressure of increasing bulk material price and energy price continues. The press of inflation has not yet diminished. Thus, the pressure of increasing cost is not yet eliminated.

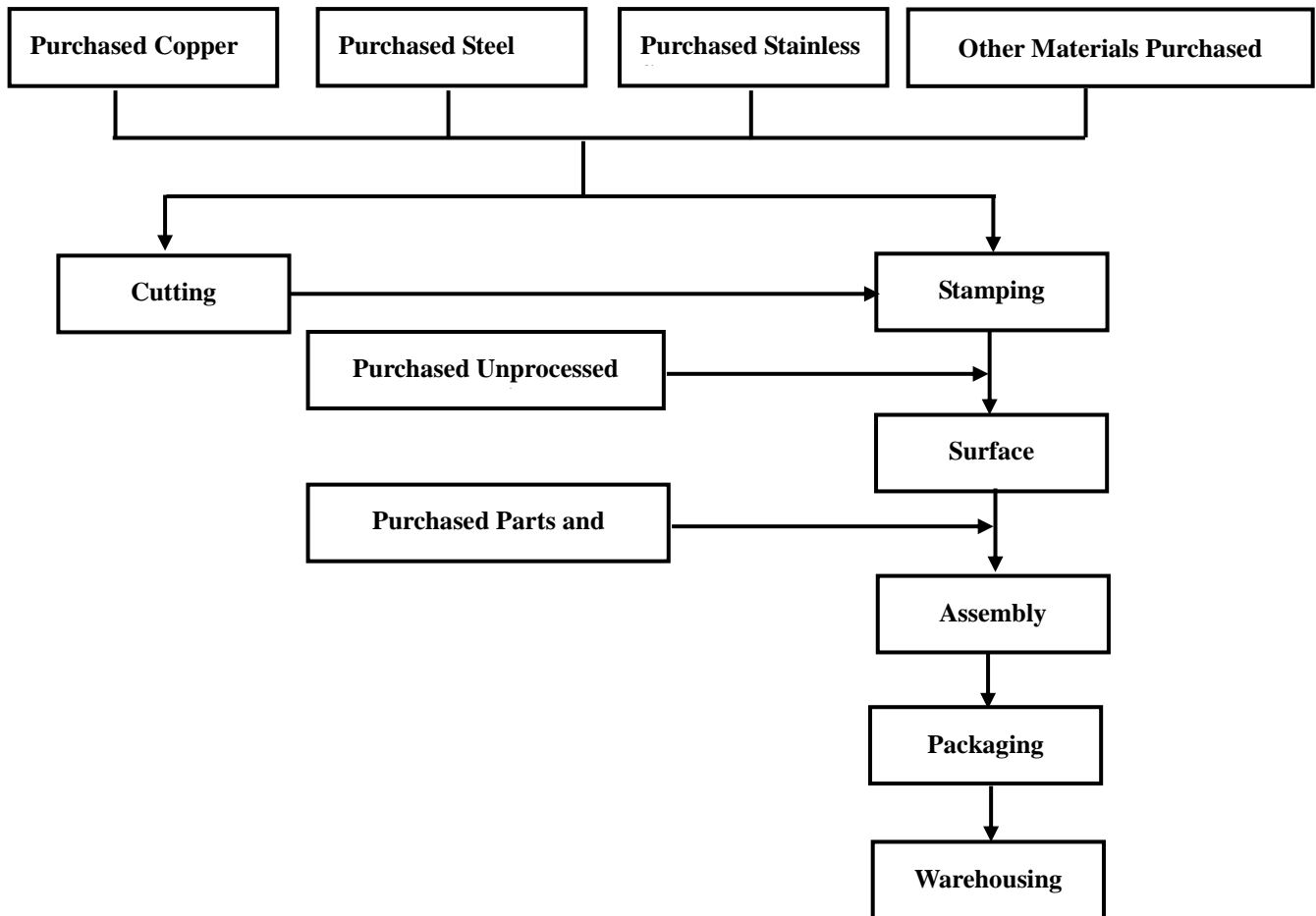
(c)High fluctuation of exchange rate.

Through continuous improvement in product design and lean production, the company is trying to reduce production cost and enhance competitiveness. In addition, the company aggressively trains and cultivates R&D personnel, invests in developing higher value-added commercial high-end products and electronic lock product, cooperates with the development in EU market and emerging markets in East Europe, India, and Central South America to effectively adjust product mix and increase product's profitability.

(4)Important functions of major products and the production process

Major Product	Main Use
Door related metal parts	To be installed as lock on wood door, plastic door, metal carved door, and RV car door.

Production process of metal door locks



(5) Supply of major raw materials

Product Name	Major Materials		
	Name	Source	Supplying Condition
Door locks and related metal accessories	Steel Plate/Steel Strip	China Steel Corporation	Good
	Stainless Steel	Sinkang Industries Co., Ltd.	Good
	Copper Plate	First Copper Technology Co., Ltd.	Good
	Aluminum Alloy	Chiao Tai Aluminum Industry Co., Ltd. Crown Aluminum Co., Ltd. Shin Long Precision Die Casting Co., Ltd. Evershine Aluminum Co., Ltd.	Good

(6)List of major suppliers and customers in the most recent 2 years

a.Suppliers that accounted to 10% or above of the total procurement amount in any of the most recent 2 years. Unit: NT\$1,000 / %

List	2014				2013				2015 until the preceding quarter of the printing date			
	Name	Amount	% of total procurements in the year	Relation to the Issuer	Name	Amount	% of total procurements in the year	Relation to the Issuer	Name	Amount	% of total procurements in the year	Relation to the Issuer
	Others	5,469,020	100%	-	Others	4,182,218	100%	-	Others	1,481,787	100%	-
	Net Purchase	5,469,020	100%		Net Purchase	4,182,218	100%		Net Purchase	1,481,787	100%	

b.Customers that accounted to 10% or above of the total sales revenues in any of the most recent 2 years. Unit: NT\$1,000 / %

List	2014				2013				2015 until the preceding quarter of the printing date			
	Name	Amount	% of total sales in the year	Relation to the Issuer	Name	Amount	% of total sales in the year	Relation to the Issuer	Name	Amount	% of total sales in the year	Relation to the Issuer
1	C	1,295,806	18%	None	C	236,145	4%	None	C	321,825	17%	None
2	D	952,812	13%	None	D	230,204	4%	None	D	251,995	13%	None
3	B	920,394	13%	None	B	599,071	10%	None	B	231,204	12%	None
4	Allegion Fu Hsing Limited	-	-	Affiliated company	Allegion Fu Hsing Limited(the original INGERSOL L-RAND FU HSING LIMITED)	1,436,664	24%	Affiliated company	Allegion Fu Hsing Limited	-	-	Affiliated company
5	Fu Hsing Industrial (Shanghai) Co., Ltd.	-	-	Affiliated company (in the process of liquidation)	Fu Hsing Industrial (Shanghai) Co., Ltd.	71,199	1%	Affiliated company	Fu Hsing Industrial (Shanghai) Co., Ltd.	-	-	Affiliated company (in the process of liquidation)
	Others	3,905,740	56%	-	Others	3,310,868	57%	-	Others	1,116,781	58%	-
	Net Sales	7,074,752	100%		Net Sales	5,884,151	100%		Net Sales	1,921,805	100%	

(7) Production volume and value over the past two years

Unit: 1,000 pcs / NT\$1,000

Product volume & value Main Product	2014		2013	
	Volume	Value	Volume	Value
Door related Metal Parts	39,848	5,327,162	33,864	4,821,168
Total	39,848	5,327,162	33,864	4,821,168

(8) Sales volume and value over the past two years

Unit: 1,000 pcs / NT\$1,000

Sales volume & value Main product	2014				2013			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Door related Metal Parts	1,745	529,980	22,253	4,385,077	1,465	410,217	21,981	4,086,923
Other Parts	—	—	—	—	—	—	—	15,735
Merchandises	—	—	16,544	2,159,695	—	—	10,634	1,371,276
Total	1,745	529,980	38,797	6,544,772	1,465	410,217	32,615	5,473,934

3. Number of employees, the average years of services, average age, and education analysis over the past two years and during the current fiscal year until the date of printing of this annual report.

Year		2013	2014	Jan. 1 ~ Mar. 31, 2015
Total Number of Employees	Director Labor	1,433	1,466	1,490
	Indirect Labor	617	641	621
	Management	169	223	226
	Total	2,219	2,330	2,337
Average Age		30.86	30.66	34.95
Average Year of Service		3.26	3.26	4.14
Education Analysis	Doctor	1	1	1
	Master	33	38	37
	University	623	719	700
	High School	883	898	874
	Below High School	679	674	725

4. Expenditures on environmental protection

a. Significant expenditures or losses from environmental pollution in the most recent fiscal year and the current fiscal year until the printing date of this annual report: because the company has devoted to promoting environment improvement to reduce impact to the environment, there were no significant issues in the recent two years.

b.The company has a special unit that is exclusively responsible for the management of labor safety and health, regularly convenes safety and health committee meeting, establishes and puts into effect of the “safety and health practices” for managing employee’s work environment and facilities, regularly carries out employee health check and inspection on the work environment, and periodically handles education trainings on labor safety and health to make sure the company is able to provide a safe and healthy work environment and seek for continuous improvement.

c.Responding actions

(a)The company is engaged in the selling and manufacturing of door locks and related metal accessories. The major production processes include stamping, grinding, powder coating, and assembling. The company will keep promoting the environment management system and upgrading pollution prevention facilities to reduce impacts to the environment due to its manufacturing process, and for a further step to enhance the company image and market competitiveness.

(b)Future improvement focus: Will solidify the training and management to operators of the environment protection facilities and such facilities’ maintenance, will keep carrying out process wastage reduction and pollution prevention, and will strictly implement all the management works to enhance the company’s pollution management capacity. The company hopes and will do its best to reduce environment pollution to a minimum level and will try very hard to promote green production related concept to fulfill corporate special responsibility that every enterprise should have. Besides, the RoHs (Restrictions of the use of hazardous substances) related regulations by the European Union have no effects on the company.

d.Projected expenditures

The projected expenditures in the next 2 fiscal years

Unit: NT\$1,000

Name of Facility	2015	2016
The improvement and operation of air pollution prevention facility	50	50
The improvement and operation of water pollution prevention facility	900	900
Removal and process of business wastes	750	750

5.Work environment and measures adopted to protect employee’s safety

(1)Specific manners adopted to manage labor safety and health

In light of work environment and labor safety and protection, the company elaborated various labor safety and health risk control elements and sets up related managing plans and specific manners based on job safety and health management system to make continuous improvements. All the plans and manners achieved good results and control. The following table is a summary for the company’s managing plans and specific manners:

No.	Direction	Plan	Specific Manner
1	Set up Safety and Health Bulletin and Policy	Set up safety and Health Bulletin and Safety and Health	Establishes “Safety and Health Bulletin” and makes “Safety and Health Policy” according to corporate social responsibility and the government regulated safety and

No.	Direction	Plan	Specific Manner
		Policy	health requirements to continuously promote the performance achievement in labor safety and health.
2	Safety and Healthy Management System	Periodically review and inspect the safety and health management system.	Take TOSHMS as guidance to regularly inspect and review the execution of the management system.
3	Risk assessment and the countermeasures	Assess related risks and makes the control policy	Periodically review related regional manufacturing procedures, work risks and the related regulations. Unacceptable risks and issues that do not meet regulated requirements will be reviewed for improvements, and associated management plan or manner will be made and executed. The execution results will be brought up for discussion in the safety and health meeting.
4	Electricity leakage protection	Facilities to carry out grounding to prevent leakage risks.	Set up grounding for facility's power system to prevent electricity leakage risk.
5	Chemical management	Establish safety standard for chemical's storing and use to prevent chemical spill risks	Establish hazardous goods general guidelines, regulate to store chemicals in anti-spill tanks to prevent chemical dispersion or spill, periodically carry out hazardous goods general guideline related training and provide and require operators to wear proper protection guards.
6	Work environment measurement	Regularly measure work environment and carry out control and improvement based on the measuring results	Entrust external institution that has been certified by the Labor Safety and Health Committee to regularly carry out environmental measurement focusing on dusts, noise, and specific chemical substances according to the "Implementation Method to Carry Out Labor Work Environment Measurement". Determination then is made to see whether the measurement results meet regulatory requirements. Any extraordinary factors found will be corrected and improved immediately to protect employee's health.
7	Regular health check	Implement employee health check regularly	Two kinds of health examinations are carried out two work condition, extra hazardous work and ordinary work, according to "Labor Safety and Health Protection Principle". Special examinations are carried out for statutory particular workplace hazards such as noise, dusts, and specific chemical substances. The examination results are classified in different levels for further managing labor's health condition and continuous improving the company's work environment.
8	Occupational accident prevention programs	Establish occupational accident prevention program	Establish the occupational accident prevention program of the year and develop detailed execution plans according to the program. The plans are implemented, audited and tracked, and are brought up for discussion and correction in a regular basis during the safety and health committee meeting to gradually reduce all the dangerous factors and risks.
9	Automatic inspection	Carry out automatic inspection	Promote automatic inspection to identify possible and potential hazardous factors in different work environments, procedures, operations, and production. Then such potential risk factors are improved and effectively controlled. Items being inspected include facility, the use of materials, work environment, operating equipment and machinery.

(2)The Implementation of Work Safety Control

a.Control on special operations and work permit: according to the requirements regulated in Occupational Safety and Health Act and the company's safety and health assessing results, the

company implements control and work permits on special operations such as overhead operation, hot work, confined space operation, and hoisting operation.

b. Supervision on safety and health condition: All work units in the factory site including contractors must submit application before carrying out high risk operations. Besides, the operating unit should appoint safety and healthy supervisory staff to carry out full supervision during the process of high risk operation for ensuring work safety.

c. Inspection of dangerous machinery and facility: according to statutory regulations, dangerous machinery and facility in the plant should be regularly inspection to meet qualifications. Besides, all the operators of such dangerous machinery and facility must have related operation permit and regularly receive the company's on-job training to ensure the operation safety.

d. Accidents investigation, tracking, and improvement: for any accidents, regardless with or without injuries or only a false alarm, are discussed for improvements and tracked to eliminate potential dangers and prevent from injuries.

e. Safe operation standards revision: carry out the revision and modification on all operations' standard procedures. During the process, the involving operating personnel are requested to present and participate in the full review on the standard procedures in order to diminish chances of accidents due to improper operation procedures.

f. Plant site patrol and inspection: inspect the operation situation in the plant site without a fixed schedule. The inspection aims at the work environment around factory worker's activity area, work content, possible hazards. Extraordinary issues are reported and provided with suggestions for improvements in order to maintain workplace and labor safety.

g. Emergency response training: trainings are regularly held in light of emergency responses subjects including specific operation area, fire safety equipment, and evacuations. All the employees have to participate in the training and practices for solidifying the training in emergency responses.

(3) In addition to above-mentioned manners, Fu Hsing Americas INC. also provide its worker with work environment that meets OSHA (Occupational Safety and Health Administration) regulations made by U.S. Department of Labor and work with SCC Security and local police department to provide security services. Inspection on work safety, environment health and fire inspection are carried out per annum to make sure all meet regulated requirements.

6. Labor relations

Taiwan Fu Hsing considers its employees as a dynamic source of corporate sustainable operation and treats every employee as its partner. Based on the principle of profit sharing, Taiwan Fu Hsing provides its employees with complete pay compensation, benefits, and friendly work environment and strictly follows Taiwan's Labor Standards Act and related rules to provide complete protection to its labors. We also regularly adjusts employee's remuneration and benefits to be more competitive based on the price level, the human resources' demand and supply situation, the salary

average in the same industry, etc... We hope every Fu Hsing employees to learn and devote with no worries and meanwhile are able to pursue a stable and happy life.

(1)Competitive overall remuneration:

While designing the remuneration system, the direction aims at stimulating employees to challenge higher remunerations based on a fixed salary base. The overall remuneration includes basic salary, rewards, and employee bonuses. The basic salary is determined by education, experiences, professional skills, and work performance. The company will never determine employees' salary by their gender, religion, racial, nationality, political party, etc... The remuneration and protection of work conditions for every Fu Hsing staff are completely in compliance with local labor law and standards made by the International Bill of Human Rights.

(2)Stable and healthy labor structure

We value gender equality and make every to treat every employees equality regardless in the appointment or promotion. According statistic records, Fu Hsing in 2014 had 1044 employees, in which 523 were male and 521 were female. The numbers of male and female employees were quite similar.

(3)Recruitment through multiple channel

Fu Hsing recruits only professional and talented employees. All the recruitment and appointment information are through public and transparent channels. Currently, besides using internet recruitment, such as the 104 Bank in Taiwan, we also flexibly adopt different recruiting channels according to the vacant posts. For example, for the recruitment of direct labors, most of the time we use newspaper advertisement, leaflets, electronic signboard, career station, etc...to publicize the recruiting information. For special, higher level and professional manpower, we also collaborate with high-level manpower agency (head hunters) to recruit. For others, we will look for sufficient and good quality human resources through university's career expo, professional institution's talents recommendation, or through employee's recommendation. Following Fu Hsing's SER policy, we will never recruit child labor that is under 16 years old and forced labor. We treat all employee fairly and equally regardless their origin, gender, religion, racial, nationality, or political attribute.

(4)Fair and objective performance evaluation system

The company has a comprehensive and thorough performance management structure. For new employees that hold the post for 3-6 months, we will carry out a "probation assessment" to understand the employee's adaptation situation and provide necessary support if there is any. For all the current employees, a year end "Annual Performance Assessment" is given to carry out performance evaluation. The Annual Performance Assessment stresses on "objectivity", "Fairness", and "Two-way communication. Besides assessing individual's functional performance, the assessment also considers the unit's KPI achievement, and finally conducts a performance interview. We hope by open and consistent assessing standard as well as a direct two-way communication, superintendents and employees are able to obtain a consensus. In addition, results of the assessment are provided as a basis for individual's training and development and are also directly connecting to promotion and rewards. We hope by the assessment system, we can stimulate all employees work motivation continuously.

(5) Transparent communication and harmonious relationship

The company has proposal-making system. Employees can propose suggestions for improvement at any time. The proposal, once being adopted, is given rewards according to its significance level, hoping to stimulate employees to have better creativity. Besides, according to laws the company convenes labor conference every quarter (in March, June, September, and December). Through the meeting, the company thoroughly communicates the operation information, labor benefits and other situation with its employees to build a consensus between the company and its employees and create a good relationship in between to maintain labor-capital harmony and achieve a win-win situation. Also, the company vigorously promotes corporate SER (social and environment responsibility) implementation. The company not only advocates the SER concept with its employees through different seminars and propaganda, but also establishes compliant channels for employees to report any SER violation issues to ensure the implementation and promulgation of the company's SER policy.

During the past fiscal year and current year until the printing date of this annual report, the company did have not any labor disputes, because the company's system follows laws and regulations and actively protects labor rights. In the future, the company expects to maintain the good tradition in keeping harmonious labor-capital relationship.

(6) Education training

As for employee's training and education, besides establishing "Method to subsidize on-job training in graduate level" and various subsidies provided by the Staff Welfare Committee to various on-job trainings, for encouraging employees to pursue higher education the company also establishes a comprehensive on-job training system to assist employee with professional skills and knowledge and expand their expertise. Comparing to 2013, the education training paid more focus on a more in-depth and finer training content in 2014. The execution of education training in 2014 is summarized in the following table:

Unit: person / hour / NT\$1,000

Subsidy unit	Training type	Numbers receiving subsidy	Training Hours	Investment amount
The company	External training	456	3,879	938
	Internal training	13,388	16,259	2,251
	EMBA tuition fee subsidy	1	0	368
Staff Welfare Committee	Labor fellowship	4	0	10
	Labor education scholarship	7	0	11
Total		13,856	20,138	3,378

The training focuses in 2014 are as follows:

a. The training to write corporate social responsibility: training was giving to internal personnel to compose corporate social responsibility report according to GRI G4 version. The company hopes by disclosing the company's information the interested parties are able to understand the company's devotion in "transparent corporate governance", "co-existence with the environment and the creation of mutual benefits", and "sustainable environmental-friendly operation" and as well as the determination in pursuing sustainable development.

b.The training for presentation skill: in the parent company, presentation skill training was giving to company staffs, whose job required frequent presentation. The company hopes by this training, company staffs are able to perform good presentation skills on the stage while facing customers or doing internal presentations. 3 training lessons were given and 78 staffs were trained in total, and 4 presentation sessions were held. The whole training session lasted four month and gave staffs not only paper knowledge but also real presentation practices to help them apply the skill in daily works.

c.AEO and SER annual refresher training: the mother company became an AEO certified company in 2012 and publicized its SER statement at the same year. The mother company carries out fresher trainings to all the employees every year after that in order to strengthen the concept and ensure the efficacy of the execution. The AEO training focuses on: the safety of the entity and workplace, safety of merchandises, safety of business partners, information safety, and incident reporting procedures. The SER training focuses on: ethics standard, labor rights and responsibility, health and safety, environmental protection, complaint channels, etc...

(7)Certifications obtained by the company and the transparent financial information related persons:

a.R.O.C. Accountant: 2 persons.

b.International CIA (Certified Internal Auditor): 1 person.

(8)A comprehensive staff welfare network:

a. Performance of the staff welfare committee

Fu Hsing set up Staff Welfare Committee (the “Welfare Committee” hereinafter) as early as in 1983. The committee members are elected by employees to manage the welfare funds. The Welfare Committee establishes all kinds of subsidy standards and handles various activities based on employee’s needs. In 2014, the staff welfare expenditures in the mother company were totaled 10.1 million dollars. Besides giving out subsidies, the expenditures were mainly used to hold all kind of activities, including company trips (1 Taitung hot spring trip and 2 Pingxi sky lantern trips), the family day (barbecue, children’s field drawing activity, fun photography activity), yearend dinner gathering and art competition, PE activity (volleyball competition, shooting machine contest), health talk forum, etc...

Welfare system that provides a comprehensive care to employees
<ul style="list-style-type: none"> •Holiday bonuses given in the Dragon Boat Festival and Mid Autumn Festival and Birthday cash gift •Marriage allowance, maternity allowance, new house allowance •Funeral grant, disability grant, and hospitalization subsidy •A fixed amount lunch subsidy in staff restaurant •Year end dinner gather, raffle draw activity, show and art competition •Company trip •On-job training subsidy •Scholarship, grant-in-aid •Resignation subsidy, retirement subsidy

b. Comprehensive staff welfare facility:

PE center: The opening hour of the mother company's PE center is 17:10~19:00 every Mondays to Fridays. All the employees are free to use the facilities including multi-functional treadmill, elliptical trainer, fitness equipment, pool table, ping-pong table, a Karaoke Room that can contain more than 40 persons, and a multifunctional aerobics room. This PE center is a best place for employee to carry out fitness trainings, throwing birthday parties and doing community activities.

Staff restaurant: Spacious, bright, and well-equipped with audiovisual equipment are most people's first impression to the mother company's staff restaurant. But more than that, the Staff Welfare Committee also works hard to make the restaurant to provide hygiene, delicious, economic, and diversified choices meals to staffs. For having a 6 dishes and 1 soup 1 unlimited drink at the staff restaurant, employees only pay partial cost of the meal and the Welfare Committee subsidies the remaining. In addition, in order to meet different meal habits for foreign workers and respect the cultural differences, the Welfare Committee also separate the restaurant into different dining areas to provide different flavored meals for Philippines and Indonesian staffs. Therefore, the staff restaurant receives high appraisal from employees. Sometimes foreign internship trainees that come to Fu Hsing during only summer vacations express their memory and memory on the company's staff restaurant.

(9) During the past year and in the current year until the printing date of this annual report, 2 labor disputes happened in Fu Hsing subsidiary. One was a laid-off complaint filed by its employee to the Department of Labor Affairs of the Changhua County Government. The company gave severance pay to the employee according to the Labor Standards Act, and both parties reached settlement. The other case was a laid-off complaint filed by an employee, who was unable to carry out normal functions of current post due to health conditions, to the Department of Labor Affairs of the Changhua County Government. The company gave severance pay to the employee according to the Labor Standards Act, and both parties reached settlement.

(10) Retirement benefit

Retirement reserve supervisory committee	<ul style="list-style-type: none"> ● In order to effectively overlook the appropriation and use of the retirement reserve, the mother company appoints representatives from both the capital side and labor side to be the Retirement Reserve Supervisory Committee members in every three years according to laws. Currently the retirement fund management committee has 6 representatives from the labor side and 3 from the capital side. In 2014, 6 retirement application were deliberated.
A comprehensive pension system that also considers about humanity	<ul style="list-style-type: none"> ● In consideration of statutory requirements, the company fully follows regulations made in the "Labor Standards Act" and "Labor Pension Act" for both new system and old system pension plans. Besides, starting from March 2012, the company adjusted the retirement reserve appropriation rate to the highest level, 15%, for better ensuring employee's retirement life. ● In consideration of humanity, the company also considers that if an employee opts for old system. Under the old pension system, the employee is unable to meet the requirements once he has any

	<p>significant changes in his life even though the employees has serviced in this company for many years already. In such circumstance, the employee is going to have a big loss in retirement benefit. In view of considering all the employees as Fu Hsing's relatives, the company established the "Employee Retirement Offer Method" in 2008. The Method was sent to the Labor Bureau for approval. This Method explicitly regulated that Fu Hsing employee, if his seniority and age adding together equals to or exceed 65, can apply for "voluntary early retirement application, even though his age is still under 65 years old. Once the company approves the application, the company should calculate the amount of pension depending on the seniority according to the Labor Standards Act. This Method has helped many senior employees to retire early from the company without worries, so they were able to transfer their focuses to their families.</p>
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7.Important contracts

Type of Contract	Involved Party	Start/End Date of the Contract	Main Content	Restrictive terms
Supply Contract	ALLEGION PLC Group	Starting from Nov. 2013 and lasts for 5 continuous years	Contract manufacturing for mechanical lock products and parts	None

F. Financial Report

(I) Condensed Balance Sheets and Statements of Income

1-1. Condensed Consolidated Balance Sheet

Unit: NTD\$1,000

Year Accounts		Financials in the Past 5 Years					Financials from Jan. 1 ~ Mar. 31, 2015
		2012	2013	2014	Year	Year	
Current asset		2,942,741	3,286,942	3,557,896			3,600,475
Real estate, plant and facilities		1,131,619	1,271,743	1,765,981			1,738,179
Intangible assets		77,140	77,429	175,948			173,013
Other assets		1,463,604	1,562,028	1,393,219			1,417,557
Total assets		5,615,104	6,198,142	6,893,044			6,929,224
Current liability	Before distribution	1,124,977	1,368,666	1,768,980			1,645,095
	After distribution	1,407,655	1,745,570	(Note 3)			—
Non-current liability		377,928	410,935	424,963			417,744
Total liabilities	Before distribution	1,502,905	1,779,601	2,193,943			2,062,839
	After distribution	1,785,583	2,156,505	(Note 3)			—
Equity attributable to the parent company		4,080,509	4,383,229	4,591,718			4,755,560
Capital		1,884,521	1,884,521	1,884,521			1,884,521
Capital surplus		567,114	567,114	567,114			567,114
Retained Earnings	Before distribution	1,460,971	1,739,337	1,858,272			2,024,538
	After distribution	1,178,293	1,362,433	(Note 3)			—
Others equity		167,903	192,257	281,811			279,387
Treasury stock		—	—	—			—
Non Controlling interests		31,690	35,312	107,383			110,825
Total equities	Before distribution	4,112,199	4,418,541	4,699,101			4,866,385
	After distribution	3,829,521	4,041,637	(Note 3)			—

Note 1: Reviewed and certified by CPA.

Note 2: Reviewed by CPA.

Note 3: Until the printing date of this annual report, the 2014 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

1-2. Condensed individual balance sheet

Unit: NT\$1,000

Year Accounts		Financials in the Past 5 Years				
		2012	2013	2014	Year	Year
Current asset		2,005,611	1,654,503	1,573,785		
Real estate, plant and facilities		527,075	361,956	883,552		
Intangible assets		698	2,683	1,565		
Other assets		2,683,316	3,525,579	3,598,013		
Total assets		5,216,700	5,544,721	6,056,915		
Current liability	Before distribution	758,263	766,773	1,076,436		
	After distribution	1,040,941	1,143,677	(Note 2)		
Non-current liability		377,928	394,719	388,761		
Total liabilities	Before distribution	1,136,191	1,161,492	1,465,197		
	After distribution	1,418,869	1,538,396	(Note 2)		
Capital		1,884,521	1,884,521	1,884,521		
Capital surplus		567,114	567,114	567,114		
Retained Earnings	Before distribution	1,460,971	1,739,337	1,858,272		
	After distribution	1,178,293	1,362,433	(Note 2)		
Others equity		167,903	192,257	281,811		
Treasury stock		—	—	—		
Total equities	Before distribution	4,080,509	4,383,229	4,591,718		
	After distribution	3,797,831	4,006,325	(Note 2)		

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2014 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

1-3. Condensed individual balance sheet – under R.O.C. accounting standard

Unit: NT\$1,000

Year		Financials in the Past 5 Years (Note 1)				
		2009	2010	2011	2012	Year
Accounts						
Current asset		1,576,325	1,659,324	1,587,774	2,014,631	
Funds & Investment		2,305,963	2,483,268	2,559,358	2,623,096	
Fixed Assets		651,886	588,034	554,684	526,807	
Intangible assets		6,893	1,987	1,081	698	
Other assets		3,196	4,565	3,117	2,155	
Total assets		4,544,263	4,737,178	4,706,014	5,167,387	
Current liability	Before distribution	505,511	595,332	512,608	741,763	
	After distribution	788,189	821,475	738,751	1,024,441	
Long term liabilities		—	—	—	—	
Other liabilities		255,432	284,994	246,208	264,052	
Total liabilities	Before distribution	760,943	880,326	758,816	1,005,815	
	After distribution	1,043,621	1,106,469	984,959	1,288,493	
Capital		1,884,521	1,884,521	1,884,521	1,884,521	
Capital surplus		567,114	567,114	567,114	567,114	
Retained Earnings	Before distribution	1,123,003	1,187,272	1,279,642	1,439,953	
	After distribution	840,325	961,129	1,053,499	1,157,275	
Unrealized re-evaluation gains		69,457	69,457	69,457	69,457	
Cumulative translation adjustments		127,579	18,621	159,561	102,940	
Net loss not recognized as pension cost		-107,214	-131,439	-109,122	-126,937	
Total equities	Before distribution	3,783,320	3,856,852	3,947,198	4,161,572	
	After distribution	3,500,642	3,630,709	3,721,055	3,878,894	

Note 1: Reviewed and certified by CPA.

2-1Condensed consolidated income statement

Unit: NT\$1,000

Accounts \ Year	Financials in the Past 5 Years (Note 1)					Financials from Jan. 1 ~ Mar. 31, 2015 (Note 1)
	2012	2013	2014	Year	Year	
Revenue	5,014,718	5,887,680	7,074,752			1,921,805
Gross margin	903,432	952,667	1,356,386			407,194
Operating profit	361,207	308,501	499,433			181,590
Non-Operation income (Expense)	150,866	454,174	171,990			37,684
NIBT	512,073	762,675	671,423			219,274
Continuing operation's income	410,054	592,312	526,718			169,794
Loss from discontinued operations	-	-	-			-
Net income (loss)	410,054	592,312	526,718			169,794
Other comprehensive income or loss (Net amount after tax)	31,165	4,901	74,912			-2,510
Total comprehensive Income (Loss)	441,219	597,213	601,630			167,284
Net profit attributable to owner of the parent	398,658	580,998	507,914			166,266
Net Profit attributable to minority interest	11,396	11,314	18,804			3,528
Total comprehensive income attributable to owner of the parent	430,358	585,398	585,393			163,842
Total comprehensive income attributable to minority interest	10,861	11,815	16,237			3,442
Earnings per share (Note3)	2.12	3.08	2.70			0.88

Note 1: Reviewed and certified by CPA.

Note 2: Reviewed by CPA.

Note 3: Basic EPS

2-2Condensed individual income statement

Unit: NT\$1,000

Year Accounts	Financials in the Past 5 Years (Note 1)				
	2012	2013	2014	Year	Year
Revenue	3,792,822	3,853,599	4,727,893		
Gross margin	642,245	563,079	624,721		
Operating profit	267,734	172,376	194,258		
Non-Operation income (Expense)	195,244	532,712	390,891		
NIBT	462,978	705,088	585,149		
Continuing operation's income	398,658	580,998	507,914		
Loss from discontinued operations	—	—	—		
Net income (loss)	398,658	580,998	507,914		
Other comprehensive income or loss (Net amount after tax)	31,700	4,400	77,479		
Total comprehensive Income (Loss)	430,358	585,398	585,393		
EPS (Note 2)	2.12	3.08	2.70		

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS (after tax).

2-3 Condensed individual income statement – under R.O.C. accounting standard

Unit: NT\$1,000

Year Accounts	Financials in the Past 5 Years (Note 1)				
	2009	2010	2011	2012	Year
Revenue	2,947,438	3,378,450	3,167,594	3,792,822	
Gross margin	665,666	606,170	475,001	631,875	
Operating profit	320,971	268,743	135,276	254,176	
Non-Operation income and profit	127,999	237,661	227,983	220,599	
Non-Operation expense and loss	56,978	101,552	16,451	26,557	
Net Income (loss) before tax from continuing operations	391,992	404,882	346,808	448,218	
Income (loss) from continuing operations	356,167	346,947	318,512	386,453	
Income (loss) from discontinued operations	—	—	—	—	
Extraordinary profit (loss)	—	—	—	—	
Cumulative effects of changes in accounting standard	—	—	—	—	
Profit (Loss)	356,167	346,947	318,512	386,453	
EPS (Note 2)	1.89	1.84	1.69	2.05	

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS (after tax).

3.Certifying accountants over the past five years and the audit opinions

Year	Accounting Firm	Name of Accountants	Audit Opinion
2014	PWC Taiwan	LIAO, A-Shen LIU, Tzu-Meng	Modified Unqualified Opinion
2013	PWC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Modified Unqualified Opinion
2012	PWC Taiwan	WANG, Kuo-Hua LIN, I-Chang	Modified Unqualified Opinion
2011	PWC Taiwan	WANG, Kuo-Hua LIN, I-Chang	Modified Unqualified Opinion
2010	PWC Taiwan	HUNG, Li-Jung LIN, I-Chang	Modified Unqualified Opinion

(II) Financial analysis

1. Analysis on consolidated financials

Year Analysis list (Note 3)		Financial analysis in the Past 5 Years (Note 1)					Financials from Jan. 1 ~ Mar. 31, 2015 (Note 2)
		2012	2013	2014	Year	Year	
Financial Structure %	Debt ratio	26.77	28.71	31.83			29.77
	Ratio of liabilities to assets	360.59	344.66	284.07			297.63
Solvency%	Current ratio	261.58	240.16	201.13			218.86
	Quick ratio	201.01	175.87	150.27			164.14
	Times interest earned ratio	645.93	276.93	223.40			318.79
operating ability	Account receivable turnover (times)	4.99	5.02	5.00			4.81
	Days sales in accountable receivable	74	73	73			76
	Inventory turnover (times)	6.78	6.43	6.50			6.80
	Account payable turnover (times)	6.32	6.06	5.78			5.72
	Average days in sales	54	57	56			54
	Fixed properties and equipment turnover (times)	4.28	4.90	4.66			4.39
	Total assets turnover (times)	0.94	1.00	1.08			1.11
Profitability	Return on assets (%)	7.47	9.87	7.79			2.41
	Return on shareholder's equity (%)	10.02	13.73	11.32			3.56
	Profit before tax to capital stock (%)	27.17	40.47	35.63			11.64
	Profit ratio (%)	7.95	9.87	7.18			8.65
	EPS (dollar)	2.12	3.08	2.70			0.88
Cash Flow	Cash flow ratio (%)	47.23	48.53	49.84			3.58
	Cash flow adequacy ratio (%)	120.49	121.50	101.16			98.79
	Cash re-investment ratio (%)	5.96	6.88	8.73			1.00
Leverage	Operation leverage	5.43	6.67	4.99			3.67
	Financial leverage	1.00	1.01	1.01			1.00

Note 1: Reviewed and certified by CPA.

Note 2: Reviewed by CPA.

Note 3: Formulas:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of liabilities to assets = (Total equity + non-current liabilities) / Net amount of fixed properties and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets – Inventories – Prepaid expenses) / Current liabilities
 - (3) Times interest earned ratio = Net income before tax and interests / Interest expense of the term
 3. Operating ability
 - (1) Account receivable turnover (including Account receivables and Notes receivables arising from operations) = Net sales / Average balance of all the receivables (including account receivables and Notes receivables arising from operations)
 - (2) Days sales in account receivable = 365 / Account receivable turnover
 - (3) Inventory turnover = Cost of goods sold / Average inventories
 - (4) Account payable turnover (including Account payable and Notes payable arising from operations) = Cost of goods sold / Average balance of all the payables (including Account payable and Notes payable arising from operations)
 - (5) Average days in sales = 365 / Inventory turnover
 - (6) Fixed properties and equipment turnover = Net sales / Net amount of fixed properties and equipment
 - (7) Total assets turnover = Net sales / Average total assets
 4. Profitability
 - (1) Return on assets = [NIAT + Interest expense(1-tax rate)] / Average total assets
 - (2) Return on shareholder's equity = NIAT / Average total stockholder's equity
 - (3) Profit ratio = NIAT / Net sales
 - (4) EPS = (Profit attributable to owner of the parent – dividend on preferred stock) / Weighted average total outstanding shares (Note 4)
 5. Cash Flow (Note 5)
 - (1) Cash flow ratio = Cash flow generated during operation activities / Current liabilities
 - (2) Cash flow adequacy ratio = Net cash flow generated from operation activities in the past 5 years / (capital expenditure + increase in inventories + Cash dividend) of the past 5 years
 - (3) Cash re-investment ratio = (Net cash flow generated during operation activities – Cash dividend) / (Gross amount of fixed properties and equipment + Long-term investment + Other non-current assets + Working capital)
 6. Leverage:
 - (1) Operation leverage = (Net sales revenue – Variable operation cost and expenses) / Operation profit (Note 6)
 - (2) Financial leverage = Operation profit / (Operation profit – Interest expense)
- Note 4: The followings should be cautious while calculating EPS based on above formulas:
1. Should take the weighted average total number of common shares instead of the total issued shares at the yearend as the basis.
 2. Whenever there is capital increase by cash or treasury stock transaction, the calculation of weighted average shares should also take the shares during the circulation period into consideration.
 3. Whenever there is capital increase by earnings or capital increase by capital surplus, the calculation of EPS during the past years and the half year should take retroactive proportional adjustment based on the proportion of capital increase without considering the period during the capital increase.
 4. If the type of preferred stock is a non-convertible cumulative preferred stock, the dividend of the year (no matter distribution or not) should be deducted from net income after tax or add to the net loss after tax. If the type of preferred stock is not cumulative, when there is still net profit after tax, the dividend on such preferred stock should be deducted from the net income after tax. No adjustment should be made if there is a loss after tax.
- Note 5: While doing cash flow analysis, the following issues should be especially paid attention to:
1. Net cash flow generated from operation activities refers to Net cash inflow during operation activities in the Cash Flow Statement.
 2. Capital expenditure refers to Cash outflow as capital investment every year.
 3. Increase in inventory should only be taken into account when the ending balance is greater than the beginning balance. If the inventory decreases during the year, use 0 to calculate.
 4. Cash dividend includes cash dividend for both common stock and preferred stock.
 5. Gross amount of Fixed properties and equipment refers to the total amount of fixed properties and equipment before deducting cumulative depreciation.
- Note 6: The issuer should classify all the operation costs and operation expenses into fixed and variables, and should pay attention to the consistency when the classification is not easy to make.
- Note 7: If the company's securities have no face value or face value other than NT\$10, the afore-mentioned formulas that involve calculations of paid-in capital should be replaced with the proportion of equity attributable to owners of the parent on the Balance Sheets to calculate.
- Analysis on the more than 20% changes in the ratio in the past 2 years:
- (1) Decrease in Return on asset: earnings of the business in 2014 was better than 2013. However, in 2013, we recognized expropriation compensation from our Shanghai plant as a non-operation profit, when we did not have the same expropriation compensation in 2014. Thus, the return on asset was reduced in 2014.
 - (2) Decrease in Profit ratio: earnings of the business in 2014 was better than 2013. However, in 2013, we

recognized expropriation compensation from our Shanghai plant as a non-operation profit, when we did not have the same expropriation compensation in 2014. Thus, the Profit ratio was reduced in 2014.

- (3) Cash-reinvestment ratio: mainly because of the increase of cash inflow generated from operation activities due to steadily operation growth.
- (4) Operation leverage: gross margin is improved due to steadily growing operations. Also, the good control on the fixed expense contributed to the decrease of operation leverage.

2. Analysis on individual financials

Year Analysis list (Note 2)		Financial analysis in the Past 5 Years (Note 1)				
		2012	2013	2014	Year	Year
Financial Structure %	Debt ratio	21.78	20.95	24.19		
	Ratio of liabilities to assets	774.18	1,210.98	519.69		
Solvency %	Current ratio	264.50	215.77	146.20		
	Quick ratio	209.59	176.53	120.16		
	Times interest earned ratio	154,327	22,746	2,613		
operating ability	Account receivable turnover (times)	6.23	5.02	4.94		
	Days sales in accountable receivable	59	73	74		
	Inventory turnover (times)	8.01	8.41	13.19		
	Account payable turnover (times)	7.29	6.29	6.48		
	Average days in sales	46	44	28		
	Fixed properties and equipment turnover (times)	6.96	8.62	7.55		
	Total assets turnover (times)	0.75	0.71	0.81		
Profitability	Return on assets (%)	8.00	10.80	8.76		
	Return on shareholder's equity (%)	10.02	13.73	11.32		
	Profit before tax to capital stock (%)	24.57	37.41	31.05		
	Profit ratio (%)	10.63	15.17	10.80		
	EPS (dollar)	2.12	3.08	2.70		
Cash Flow	Cash flow ratio (%)	45.27	57.60	59.55		
	Cash flow adequacy ratio (%)	121.51	120.27	95.80		
	Cash re-investment ratio (%)	2.45	3.24	5.15		
Leverage	Operation leverage	7.96	14.29	8.38		
	Financial leverage	1.00	1.00	1.00		

Note 1: Reviewed and certified by CPA.

Note 2: Formulas:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of liabilities to assets = (Total equity + non-current liabilities) / Net amount of fixed properties and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventories – Prepaid expenses) / Current liabilities

(3) Times interest earned ratio = Net income before tax and interests / Interest expense of the term

3. Operating ability

(1) Account receivable turnover (including Account receivables and Notes receivables arising from operations) = Net

sales / Average balance of all the receivables (including account receivables and Notes receivables arising from operations)

(2) Days sales in account receivable = $365 / \text{Account receivable turnover}$

(3) Inventory turnover = $\text{Cost of goods sold} / \text{Average inventories}$

(4) Account payable turnover (including Account payable and Notes payable arising from operations) = $\text{Cost of goods sold} / \text{Average balance of all the payables (including Account payable and Notes payable arising from operations)}$

(5) Average days in sales = $365 / \text{Inventory turnover}$

(6) Fixed properties and equipment turnover = $\text{Net sales} / \text{Net amount of fixed properties and equipment}$

(7) Total assets turnover = $\text{Net sales} / \text{Average total assets}$

4. Profitability

(1) Return on assets = $[\text{NIAT} + \text{Interest expense}(1 - \text{tax rate})] / \text{Average total assets}$

(2) Return on shareholder's equity = $\text{NIAT} / \text{Average total stockholder's equity}$

(3) Profit ratio = $\text{NIAT} / \text{Net sales}$

(4) EPS = $(\text{Profit attributable to owner of the parent} - \text{dividend on preferred stock}) / \text{Weighted average total outstanding shares (Note 4)}$

5. Cash Flow (Note 5)

(1) Cash flow ratio = $\text{Cash flow generated during operation activities} / \text{Current liabilities}$

(2) Cash flow adequacy ratio = $\text{Net cash flow generated from operation activities in the past 5 years} / (\text{capital expenditure} + \text{increase in inventories} + \text{Cash dividend})$ of the past 5 years

(3) Cash re-investment ratio = $(\text{Net cash flow generated during operation activities} - \text{Cash dividend}) / (\text{Gross amount of fixed properties and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$

6. Leverage:

(1) Operation leverage = $(\text{Net sales revenue} - \text{Variable operation cost and expenses}) / \text{Operation profit (Note 6)}$

(2) Financial leverage = $\text{Operation profit} / (\text{Operation profit} - \text{Interest expense})$

Note 4: The followings should be cautious while calculating EPS based on above formulas:

1. Should take the weighted average total number of common shares instead of the total issued shares at the yearend as the basis.

2. Whenever there is capital increase by cash or treasury stock transaction, the calculation of weighted average shares should also take the shares during the circulation period into consideration.

3. Whenever there is capital increase by earnings or capital increase by capital surplus, the calculation of EPS during the past years and the half year should take retroactive proportional adjustment based on the proportion of capital increase without considering the period during the capital increase.

4. If the type of preferred stock is a non-convertible cumulative preferred stock, the dividend of the year (no matter distribution or not) should be deducted from net income after tax or add to the net loss after tax. If the type of preferred stock is not cumulative, when there is still net profit after tax, the dividend on such preferred stock should be deducted from the net income after tax. No adjustment should be made if there is a loss after tax.

Note 5: While doing cash flow analysis, the following issues should be especially paid attention to:

1. Net cash flow generated from operation activities refers to Net cash inflow during operation activities in the Cash Flow Statement.

2. Capital expenditure refers to Cash outflow as capital investment every year.

3. Increase in inventory should only be taken into account when the ending balance is greater than the beginning balance. If the inventory decreases during the year, use 0 to calculate.

4. Cash dividend includes cash dividend for both common stock and preferred stock.

5. Gross amount of Fixed properties and equipment refers to the total amount of fixed properties and equipment before deducting cumulative depreciation.

Note 6: The issuer should classify all the operation costs and operation expenses into fixed and variables, and should pay attention to the consistency when the classification is not easy to make.

Note 7: If the company's securities have no face value or face value other than NT\$10, the afore-mentioned formulas that involve calculations of paid-in capital should be replaced with the proportion of equity attributable to owners of the parent on the Balance Sheets to calculate.

3. Analysis on individual financials – under R.O.C. accounting standard

Year Analysis list (Note 3)		Financial analysis in the Past 5 Years (Note 1)				
		2009	2010	2011	2012	年
% Financial Structure	Debt ratio	16.75	18.58	16.1	19.5	
	Ratio of liabilities to assets	580.4	655.9	711.6	790.0	
% Solvency	Current ratio	311.8	278.7	309.7	271.6	
	Quick ratio	269.2	223.5	250.1	215.9	
	Times interest earned ratio	130,665	275.5	173,405	149,407	
operating ability	Account receivable turnover (times)	6.9	7.6	6.6	6.2	
	Days sales in accountable receivable	52.9	48	55.3	58.5	
	Inventory turnover (times)	7.9	9.1	7.7	8.0	
	Account payable turnover (times)	6.3	6.8	7.4	6.3	
	Average days in sales	46.2	40.1	47.4	45.5	
	Fixed properties and equipment turnover (times)	4.1	5.3	5.5	7.0	
	Total assets turnover (times)	0.7	0.7	0.7	0.8	
Profitability	Return on assets (%)	8.1	7.5	6.8	7.8	
	Return on shareholder's equity (%)	9.7	9.1	8.2	9.5	
	Profit before tax to capital stock (%)	Operating Profit NIBT	17.00	14.30	7.20	13.50
			20.80	21.50	18.40	23.80
	Profit ratio (%)	12.5	10.5	10.2	10.3	
	EPS (dollar)	1.89	1.84	1.69	2.05	
Cash Flow	Cash flow ratio (%)	104.1	68.4	35.4	48.7	
	Cash flow adequacy ratio (%)	123.4	131.5	154.0	141.9	
	Cash re-investment ratio (%)	7.8	2.3	(註 2)	2.8	
Leverage	Operation leverage	3.42	4.98	10.3	8.4	
	Financial leverage	1.0	1.01	1.0	1.0	

Note 1: The company's financial statements for the past 5 years were all reviewed and certified by CPA.

Note 2: Not presented, because of a net cash outflow from operation activities after deducting cash dividend.

Note 3: Formulas:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of liabilities to assets = (Total equity + non-current liabilities) / Net amount of fixed properties and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventories – Prepaid expenses) / Current liabilities

(3) Times interest earned ratio = Net income before tax and interests / Interest expense of the term

3. Operating ability

(1) Account receivable turnover (including Account receivables and Notes receivables arising from operations) = Net sales / Average balance of all the receivables (including account receivables and Notes receivables arising from operations)

- (2) Days sales in account receivable = $365 / \text{Account receivable turnover}$
- (3) Inventory turnover = $\text{Cost of goods sold} / \text{Average inventories}$
- (4) Account payable turnover (including Account payable and Notes payable arising from operations) = $\text{Cost of goods sold} / \text{Average balance of all the payables (including Account payable and Notes payable arising from operations)}$
- (5) Average days in sales = $365 / \text{Inventory turnover}$
- (6) Fixed properties and equipment turnover = $\text{Net sales} / \text{Net amount of fixed properties and equipment}$
- (7) Total assets turnover = $\text{Net sales} / \text{Average total assets}$

4. Profitability

- (1) Return on assets = $[\text{NIAT} + \text{Interest expense}(1 - \text{tax rate})] / \text{Average total assets}$
- (2) Return on shareholder's equity = $\text{NIAT} / \text{Average total stockholder's equity}$
- (3) Profit ratio = $\text{NIAT} / \text{Net sales}$
- (4) EPS = $(\text{Profit attributable to owner of the parent} - \text{dividend on preferred stock}) / \text{Weighted average total outstanding shares (Note 4)}$

5. Cash Flow

- (1) Cash flow ratio = $\text{Cash flow generated during operation activities} / \text{Current liabilities}$
- (2) Cash flow adequacy ratio = $\text{Net cash flow generated from operation activities in the past 5 years} / (\text{capital expenditure} + \text{increase in inventories} + \text{Cash dividend}) \text{ of the past 5 years}$
- (3) Cash re-investment ratio = $(\text{Net cash flow generated during operation activities} - \text{Cash dividend}) / (\text{Gross amount of fixed properties and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital}) \text{ (Note5)}$

6. Leverage:

- (1) Operation leverage = $(\text{Net sales revenue} - \text{Variable operation cost and expenses}) / \text{Operation profit (Note 6)}$
- (2) Financial leverage = $\text{Operation profit} / (\text{Operation profit} - \text{Interest expense})$

Note 4: The followings should be cautious while calculating EPS based on above formulas:

- 1. Should take the weighted average total number of common shares instead of the total issued shares at the yearend as the basis.
- 2. Whenever there is capital increase by cash or treasury stock transaction, the calculation of weighted average shares should also take the shares during the circulation period into consideration.
- 3. Whenever there is capital increase by earnings or capital increase by capital surplus, the calculation of EPS during the past years and the half year should take retroactive proportional adjustment based on the proportion of capital increase without considering the period during the capital increase.
- 4. If the type of preferred stock is a non-convertible cumulative preferred stock, the dividend of the year (no matter distribution or not) should be deducted from net income after tax or add to the net loss after tax. If the type of preferred stock is not cumulative, when there is still net profit after tax, the dividend on such preferred stock should be deducted from the net income after tax. No adjustment should be made if there is a loss after tax.

Note 5: While doing cash flow analysis, the following issues should be especially paid attention to:

- 1. Net cash flow generated from operation activities refers to Net cash inflow during operation activities in the Cash Flow Statement.
- 2. Capital expenditure refers to Cash outflow as capital investment every year.
- 3. Increase in inventory should only be taken into account when the ending balance is greater than the beginning balance. If the inventory decreases during the year, use 0 to calculate.
- 4. Cash dividend includes cash dividend for both common stock and preferred stock.
- 5. Gross amount of Fixed properties and equipment refers to the total amount of fixed properties and equipment before deducting cumulative depreciation.

Note 6: The issuer should classify all the operation costs and operation expenses into fixed and variables, and should pay attention to the consistency when the classification is not easy to make.

(III) Supplemental information to this annual report

1. Assessments of balance sheet accounts

Assessing accounts on Balance Sheets	Assessment By	Assessment Basis	Main reason to affect assessing account
(1) Allowance for Bad Debt – Account Receivable	A/R Aging Table and Bad Debt Assessment	Recognize according to objective evidence of bad debt	Changes on the amount of collectable account receivables
(2) Allowance for reduction of inventories to market	Inventory LCM Assessment Table	Based on the difference between the cost and net realizable value	Basic metal's price fluctuation cause changes in inventory's net realizable value
(3) Asset Impairment Financial asset measured by cost Debt instrument in non-active market Fixed properties, factories and equipment	Net worth of the investment, or book value of fixed properties, factories, and equipment, and assessment on collectable amount	Based on the differences between assessment result and book value	Changes on the collectable amount calculated based on future discounted cash flow.

2. Assessment on the independence of certifying accountant

The company regularly assess on the certifying accountant's independence according to the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies". After our assessment, the independence of the certifying accountants has met the related requirements, and the proposal to appoint as our certifying accountants have been approved on March 20th, 2015.

(IV) Supervisor's report on the most recent fiscal year's financial report

Supervisor's Report

In accordance with the Article 219 of the Company Act, we have examined the company's operation report and motions of earnings distribution along with the mother company's financial report and the consolidated financial report that were audited and signed by Accountants LIAO, A-Shen and LIU, Tzu-Meng, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2014, and found them in order.

Supervisor: HUANG, Fu-Ti
(Representative of Fu Yuan Investment Co., Ltd.)

LIN, Wen-Hsing
(Representative of Fu Yuan Investment Co., Ltd.)

March 23rd, 2015

(V)Financial statements of the most recent fiscal year: please refer to Attachment I.

(VI)The CPA certified consolidated financial statements of the most recent fiscal year: please refer to Attachment II.

(VII)In the most fiscal year and up until the printing date of this annual report, should the company and its affiliated companies had financial difficulties, the influences on the company's financial situation should be disclosed: None.

G.Financial situation and discussions and analysis on the year's operation results and the risk management

1.Two year comparisons on financial situation

Unit: NT\$1,000

Item \ Year	2014	2013	Difference	
			Amount	%
Current assets	3,557,896	3,286,942	270,954	8.24
Fund & Investments	1,196,571	1,224,441	-27,870	-2.28
Real estate, factory and equipment	1,765,981	1,271,743	494,238	38.86
Intangible assets	175,948	77,429	98,519	127.24
Other assets	196,648	337,587	-140,939	-41.75
Total assets	6,893,044	6,198,142	694,902	11.21
Current liabilities	1,768,980	1,368,666	400,314	29.25
Non-current liabilities	424,963	410,935	14,028	3.41
Total liabilities	2,193,943	1,779,601	414,342	23.28
Capital	1,884,521	1,884,521	-	-
Capital surplus	567,114	567,114	-	-
Retained earnings	1,858,272	1,739,337	118,935	6.84
Other equity	281,811	192,257	89,554	46.58
Minor interests	107,383	35,312	72,071	204.10
Total shareholder's equity	4,699,101	4,418,541	280,560	6.35

1.More than 20% changes in % and the change amount reaches NT\$10 million or above:

(1) The increase of fixed properties and equipment in 2014 was mainly due to the purchase of land for operation use.

The decrease of Other assets in 2014 was mainly because of the transfer of prepayment on lands to Fixed properties and equipment.

(2) The increase of Intangible assets in 2014 was mainly due to the recognition of business reputation of the newly merged company as intangible assets and also the increase of minority interests.

(3) The increase of Current liabilities and Total liabilities was mainly because of the increase of material procurement due to sales growth in 2014.

(4) The increase in Other equities in 2014 was mainly due to exchange rate fluctuation caused exchange difference on foreign subsidiary's financial report.

2. Influences of the changes: Not significantly influenced.

3. Future plan to meet the changes: Not applicable.

2. Two year comparison on the operation results

Unit: NT\$1,000

Item \ Year	2014	2013	Increase (Decrease)	Change %
Total sales revenue	7,124,587	5,902,654	1,221,933	20.70
Sales return and discount	49,835	14,974	34,861	232.81
Total sales revenue – net	7,074,752	5,887,680	1,187,072	20.16
Operating Cost	5,718,366	4,935,013	783,353	15.87
Gross Margin	1,356,386	952,667	403,719	42.38
Operating Expenses	856,953	644,166	212,787	33.03
Operating Profit	499,433	308,501	190,932	61.89
Non-operating income and expenses	171,990	454,174	-282,184	-62.13
Net income before tax	671,423	762,675	-91,252	-11.96
Tax	144,705	170,363	-25,658	-15.06
Net income after tax	526,718	592,312	-65,594	-11.07
Other comprehensive income after tax – net	74,912	4,901	70,011	1,428.50
Total comprehensive income	601,630	597,213	4,417	0.74
<p>1. More than 20% changes in % and the change amount reaches NT\$10 million or above:</p> <p>(1) Increase of total Sales revenue mainly came from the economy recovery in North America market, the growing demand, and the success in developing new clients.</p> <p>(2) Increase of Sales return and discount was mainly because our sales strategy provided for some customers to enjoy a certain % discount or rebate when they reach a certain level of procurement amount.</p> <p>(3) The increase on Sales revenues mainly came from the reasons stated in (1) and (2).</p> <p>(4) Improve of gross margin mainly due to the sales growth stated in (1), depreciation of NT dollar and the reduced procuring cost in materials.</p> <p>(5) Increase in Operation expenses mainly came from the growth of the operations, so the expenses in relation to operational management, sales promotion, and products R&D were also increased accordingly.</p> <p>(6) Increase of Operating profits came from reasons stated in (1)~(5).</p> <p>(7) The decrease on Non-operating income and expense was because we recognized expropriation compensation from our Shanghai plant as a non-operation profit, when we did not have the same expropriation compensation in 2014.</p> <p>(8) The net amount of Other comprehensive income after tax increased because of the Unrealized changes in assessing Financial assets in available for sale. (Made profit in 2014 but loss in 2013.)</p> <p>2. Estimated sales volume in the future year and the basis: according to past experiences and the trend of future industrial growth, we expect to sell 42,803 thousand units in 2015.</p> <p>3. Possible influences on the company's future financial situation and the encountering measures: No significant changes.</p>				

3. Review and analysis Table on Cash Flows

(1) Analysis on the changes in cash flow in current year

Unit: NT\$1,000

Year Item	2014	2013	Changes	
			Amount	%
Net cash flow	122,233	335,610	(213,377)	-64
(1) Net cash inflow decreased in 2014 comparing to 2013 mainly came from cash outflow for investment activities.				
(2) Improvement on insufficient liquidity: The company has sound financial structure with sufficient cash on hand. We do not have insufficient liquidity situation.				

(2) Cash flow analysis for the future year:

Unit: NT\$1,000

Beginning cash balance	Estimated cash inflow from operating activities of the year	Estimated cash outflow of the year	Estimate amount of cash surplus (insufficient)	Supplement measures for insufficient cash	
				Investment planning	Financial planning
1,000,962	969,893	805,728	1,165,127	-	-
(1) Analysis on the estimated cash flow changes in 2015: Operation activity: No significant changes estimated. Investment activity: Continued equipment expansion and external investments. Financing activity: Expected to have cash outflows due to cash dividend.					
(1) The make-up plan for insufficient cash, and the analysis on solvency: We expect the cash is enough in 2015.					

4. Influences of major capital expenditure plan in the recent fiscal year: There was no significant capital expenditure project in recent year.

5. Main reason for the profit or loss of re-investments in the current year, and the improvement plan and investment plan in the future year:

Year	Invested company	Investment amount	Stake	Investment Strategy	Main reason for the profit/loss	Improvement	Future investment plan
2014	Hundure Technology Co., Ltd.	NT\$128million	51%	For diversified operation	Operation is good with good profitability	None	None
2012	Arctek (Shanghai) International Trade Co., Ltd.	RMB 8million	100%	To promote self-owned brands	Still in the beginning stage, the effects on product promotions have not yet appeared.	Continue to promote the business	None

6. Risk management & assessment

(1) Organization structure for risk management:

Important risk assessment directions	1 st layer - risk control unit	2 nd layer – Deliberation and control mechanism	Board of Directors/ Internal Audit Office
Interest, exchange rate and financial risks	Financial Dept.	President Office	The Board: (Risk assessment & Final strategy mechanism) Internal Audit Office: (Risk review, assessment, improvement tracking, report)
Changes on material prices	Purchasing Dept.	Business Group	
New product's development, improvement, and substitute materials	R&D Center	R&D Meeting	
Extraordinary quality	R&D Center	Quality Control Meeting	
Production Arrangement	Production planning Dept.	Production & Sales Meeting	
Re-investment assessment	President Office	Financial Dept.	
Compliance to company standards and regulations	Superintendents of all the levels	Audit	
Litigation & Non-litigation issues	Legal affairs	President Office	
Shareholding changes among directors, supervisors, and major shareholders	Stock Affairs	Financial Dept.	
Execution and management of the Board Meeting	Stock Affairs	President Office	

(2) Influences of the changes in interest rate, exchange rate and inflation on the company's profits, and the future response measures:

In 2014, the depreciation of New Taiwan Dollar due to U.S. market's steadily growth and the continued QE strategy in EU and Japan, plus the reduced international oil price and basic metals had positive effects on the company's overall operation situation. In the future, besides continuing to carry out proper hedge in exchange rate and material procurements, we will also keep promoting improvement projects such as VA/VE and new products development in order to improve the company's value and overall competitiveness. The response measures are as below:

a. Response to the risk of interest rate:

With stable profits and sufficient operational cash, the company does not have big amount of bank loans. Thus, the influences of changing interest rates mainly will affect the return rate on fund utilization. Currently, besides fixed deposits or quasi money bond funds, some of the operation funds are invested in stable-yield value stock in order to increase the return rate of capital utilization.

b. Response to the risk of exchange rate:

The company is mainly doing exporting business, so exchange rate fluctuation does have certain effects on the company. We will continue to carry out hedge policy to do forward selling with the expectation to reduce the exchange rate fluctuation risk to the minimal.

c. Response to the risk of inflation:

The price of international energy and heavy commodities are still in fluctuation. We continue to discuss the relevance of the consumed energies and try to develop alternative materials to control our procurement cost and reduce unnecessary wastes during the manufacturing procedure with the expectation of reducing the operational pressure caused by increasing material costs.

(3) The company has established “procedures to involve in derivative merchandise transactions” and strictly prohibit the transaction on high risk and high leverage investments. Loaning funds to others and endorsement and guarantees must be handled in accordance with the company’s related work procedures.

Derivative merchandise transactions include forex option, forward foreign exchange transactions, and bulk materials metal future options. The purpose is to evade risks in relation to foreign exchange rate fluctuation and reduce risks of metal materials cost increase due to huge price changes in the market. The main purpose is to evade a greater amount of price risks in the market.

(4) Planned product development and estimated capital investment in product R&D:

a. Mechanic door lock:

(a) For home use door lock, the focus is put on multi-family market in the North America. Using current Grade 2 and Grade 3 structure as the base, the product R&D aims at providing wider range of product combinations to fulfill customers in different market and channels in the needs of product appearance, mechanical strength, fitting, and others. We will especially focus on the design on product appearances and provide more flexible choices for the look of products.

(b) As for commercially medium to heavy door products, the focus will be put on ANSI Grade 1 and UL fire proof products in keep adding new functions or even specialized surface treatments in order to enlarge market coverage. We will also keep moving toward products with higher technology barrier and higher values.

(c) We join into the Buffalo Municipal Housing Authority, BHMA in the United States and carry out the test and certification for commercial use door product products to enhance Fu Hsing products’ competitiveness in the construction market.

b. Electronic door lock:

(a) Current production line is going to be a more complete production line. Except for current push-bottom lock, electronic touch lock, we will also focus on different customers to develop products with differentiated appearances to increase the product breadth.

(b) While the market trend is going to integrate the electronic door locks with intelligent phones, we plan to develop new types of electronic door locks installing with NFC or Bluetooth technology and connecting with cellular phones by APP interface for creating a whole new user experiences in the future market.

(c) The home automation market in North America is gradually going into a mature market. And Fu Hsing also follows major customer’s footprint to develop electronic products that are compatible with Z-wave/Zig-bee technology. While is cooperating customer’s own platform,

we are able to provide end users with a more comprehensive access security management system.

(d)For commercial use electronic door locks, the market always requires strong power in the integration of electromechanical technology and software. With the strengths in the mechanic door lock's manufacturing ability, R&D ability, professional supports from its partners, Taiwan Fu Hsing is able to develop a complete door lock system in the light of commercial door lock's use environment like condominium to reduce customer's cost in the public access management.

c.The planned R&D investment: The planned R&D expenses in 2014 was 216,948 thousand dollars.

(5)Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The changes on domestic political policy and laws did not affect the company's financial and business operations in recent years. And the company is centering on developed nations in U.S. and EU, where are having relatively stable regulations and policies. Thus, foreign policies and regulations did not affect our financials and business. However, we will still keep an eye on the changes at home and abroad.

(6)Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

a.The company has introduced in the ERP system at several years ago in order to provide timely and integrated information for responding quickly to market demand and needs to modify the company's operation strategy.

b.In recent years, a significant trend in the demand of door lock showing that consumers now are requesting more from door lock products, no matter in its safety, function, or looks. This trend is especially obvious in electronic door lock. Thus, the market demands on such products are also showing signs of growing. In order to develop this new door lock blue sea market and keep maintaining our leading position, the company is planning to actively expand the higher value-added electronic door lock market. We expect electronic door lock products are going to be a major niche type product.

(7)Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: Not applicable.

(8)Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: No significant merger or acquisition projects.

(9)Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Not applicable.

(10)Risks associated with any centralized sales or procurement, and mitigation measures being or to be taken: Not applicable.

(11)Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: Not applicable.

(12)Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: Not applicable.

(13)Litigious and non-litigious matters:

Major litigious, non-litigious or administrative disputes, regardless of being concluded by means of a final and un-appealable judgment or is still under the litigation process, that involves the company and/or the company's director, supervisor, the President, any person with actual responsibility for the company, any major shareholder holding a stake of greater than 10 percent, and a subordinate company, and is possibly materially affect shareholders' equity or the prices of the company's securities: No such situation until the printing date of this annual report.

(14)Other important risks, and mitigation measures being or to be taken: No other important risks.

7.Other important matters: None.

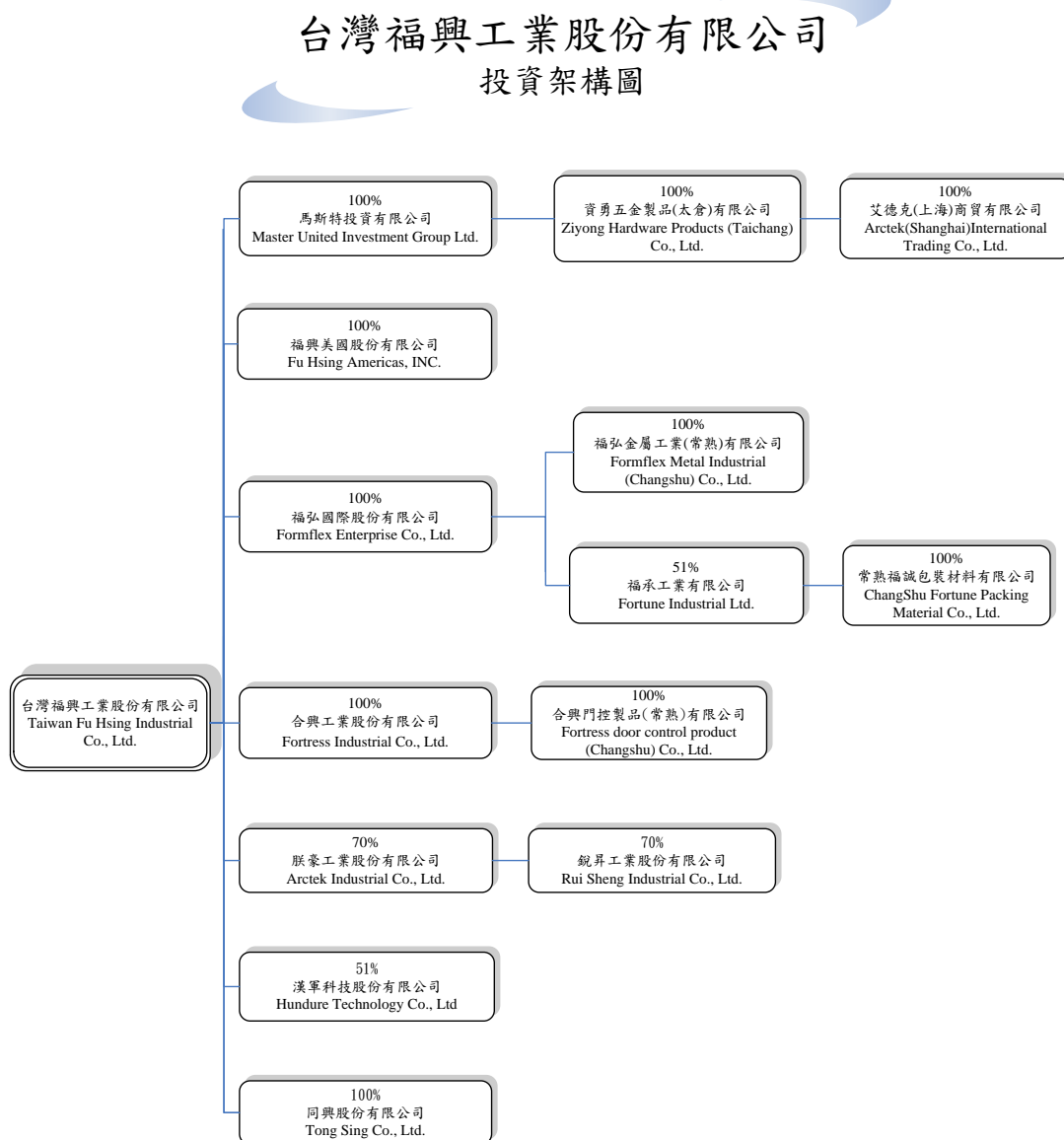
H.Special Notes

1.Disclosure regarding affiliated companies

(1)Organization status of the affiliated companies

a.Organization chart of the affiliated companies

Data drawn on Dec. 31st, 2014



b.Company that is concluded as the existence of the controlling and subordinate relation according to Article 369-3 of the Company Act: No such situation.

c.Company that is determined having a relationship of subordination or having control power as subordinate according to Article 6 of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises: No such situation.

(2)Information on affiliated companies

Date Drawn on Dec. 31st, 2014

Unit: NT\$1,000

Name of Enterprise	Founding Date	Address	capital	Business Scope
Taiwan Fu Hsing Industrial Co., Ltd.	Nov. 23 rd , 1957	No.88, Yucal Rd., Kangshan Dist., Kaohsiung City, Taiwan R.O.C.	\$ 1,884,521	Mainly work for the manufacturing and sale of metal furniture, machinery, door lock, and door related metal accessories, sports equipment, vehicle parts and dies, and also bidding and exporting on behalf of domestic and overseas companies.
Fu Hsing Americas, INC.	May 25 th , 1999	1000 Satellite Boulevard Suite # 101, Suwanee, GA30024	9,637	Distribution of door locks and door closer related products.
Master United Investment Group Ltd.	Jan. 23 rd , 1998	P.O.BOX3321,Road Town,Tortola,BRITISH VIRGIN ISLANDS	538,240	Reinvestment business.
Ziyong Hardware Products (Taichang) Co., Ltd.	Mar. 27 th , 1998	Next to National Highway 204 in Nanjiao Dist., Chengxiang Town, Taichang City, Jiangsu Province, P.R.C.	512,839	The production and sales of architectural hardware, and processing for hardware products including auto parts.
Fortress Industrial Co., Ltd.	May 16 th , 2012	No.103, Hsingong 1 st Rd., Dahsing Village, Beidou Township, Changhua County, Taiwan R.O.C.	225,000	The R&D, production, sale, and after-sale services on door closer, hinges related products.
Arctek (Shanghai) International Trading Co., Ltd.	Mar. 16 th , 2012	105, Longyu Fortune Center, No.7, Lane 98, Danba Rd., Putuo Dist., Shanghai City, P.R.C.	37,078	The sale of door closer and door hinge and floor hinge related products.
Formflex Enterprise Co., Ltd.	Feb. 1 st , 2005	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	595,185	Reinvestment business.
Formflex Metal Industrial (Changshu) Co., Ltd.	May 12 th , 2005	No.68, Huangpujiang Rd., Southeast Development Zone, Changshu, Jiangsu Province, P.R.C.	558,487	The production and sale of hardware parts.
Fortune Industrial Ltd.	Mar. 30 th , 2007	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	13,133	Reinvestment business.
ChangShu Fortune Packing Material Co., Ltd.	Oct. 11 th , 2007	No.68, Huangpujiang Rd., Southeast Development Zone, Changshu, Jiangsu Province, P.R.C.	13,133	The production of plastic parts, as well as packing materials for plastic parts.
Arctek Industrial Co., Ltd.	Jul. 27, 1994	No. 76, Hsingong Rd., Beidou Township, Changhua County, Taiwan R.O.C.	18,000	The production and sale of door hinge and floor hinge related products.
Rui Sheng Industrial Co., Ltd.	Apr. 28 th , 2009	No. 76, Hsingong Rd., Beidou Township, Changhua County, Taiwan R.O.C.	7,200	The production and processing of door hinge and floor hinge related products.

(3) Having the same shareholders in the controlling and affiliated company defined in the Company Act: None.

(4) Industries involved by the overall affiliated companies

a. Business of the company and affiliated companies: including manufacturing industry and investment industry.

b. The company is mainly working for the manufacturing and sales of door lock and door related metal accessories. Based on 2013 operations, the sales and procurement information involving affiliated companies are stated as below:

The transaction among affiliated companies:

(a) The company sold products of NT\$53,040 thousand dollars to its affiliated companies and sold services of NT\$24,072 dollars to its affiliated companies.

(b) The company purchased products of NT\$979,986 thousand dollars from its affiliated companies and acquired services of NT\$53,974 dollars from its affiliated companies.

(5) Endorsement and guarantees provided for affiliated companies

Unit: NT1,000

Endorsee		Highest amount for endorsing one enterprise	The highest endorsing amount balance of the current term	The endorsing balance at the end of the term	Amount actually used	Endorsing amount that is guaranteed by property	Accumulated amount endorsed to the company's net worth in current financial report (%)	Highest amount limit for endorsement	Note
Name of Company	Relationship								
Fortress Industrial Co., Ltd.	Note 1	\$876,646	\$88,950	\$88,950	\$ -	-	2	\$1,314,969	Note 2
Formflex Metal Industrial (Changshu) Co., Ltd.	Note 1	1,314,969	180,750	180,750	90,375	-	4	1,314,969	Note 2

Note 1: The relationship of the endorser and endorsee refers to the company's subsidiaries that directly hold over 50% of the outstanding common shares.

Note 2: The company has endorsement policy limiting that the total amount for endorsements cannot exceed 30% of the company's net worth stated on the current financial reports, and for one single enterprise, the endorsement amount cannot exceed 20% of the company's net worth stated on the current financial report, exception applies to overseas affiliated companies with the limitation of 30% of the company's net worth for any single overseas enterprise.

(6) Directors, supervisors, presidents of the affiliated companies

Data drawn on Dec. 31, 2013

Name of Business	Title	Name or Representative	Holding Shares	
			Shares	Holding %
Taiwan Fu Hsing Industrial Co., Ltd.	Chairman	LIN, Jui-Chang	1,624,978	0.86
	Director and President	CHEN, Chien-Kun	675,132	0.36
	Director (Representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer	10,091,307	5.35
	Director (Representative of Fu Zhi Investment Development Co., Ltd.)	LIU, Ju-Shan	10,091,307	5.35
	Director and Group President (Hong He Investment Co., Ltd.)	CHU, Jung-Ho	1,827,000	0.97
	Supervisor (Fu Yuan Investment Co., Ltd.)	LIN, Wen-Hsing	2,697,185	1.43
	Supervisor (Fu Yuan Investment Co., Ltd.)	HUANG, Fu-Ti	2,697,185	1.43
Fu Hsing Americas, INC.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.) Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho LIN, Jui-Chang	300,000	100
Master United Investment Group Ltd.	Chairman (representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	15,600,000	100
Ziyong Hardware Products (Taichang) Co., Ltd.	Chairman (Representative of Master United Investment Group Ltd.) Director (Representative of Master United Investment Group Ltd.) Director (Representative of Master United Investment Group Ltd.) Director (Representative of Master United Investment Group Ltd.) Director (Representative of Master United Investment Group Ltd.)	CHEN, Chien-Kun LIN, Wen-Hsing LIN, Teng-Tsai LIN, Wen-Yu CHU, Jung-Ho	Limited company, not applicable	100
Formflex Enterprise Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	24,079,000	100
Fortress Industrial Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	22,500,000	100
	Vice Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	22,500,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	22,500,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIU, Ju-Shan	22,500,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	22,500,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	HUANG, Fu-Ti	22,500,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	22,500,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)			
Arctek (Shanghai) International Trading Co., Ltd.	Chairman (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	CHU, Jung-Ho		100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	LIN, Jui-Chang	Limited company, not applicable	100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	CHEN, Chien-Kun		100

	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.	LIN, Teng-Tsai		100
	Supervisor (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.	HUANG, Chun-Mei		100
Name of Business	Title	Name of Representative	Holding Shares	
			Shares	Holding %
Formflex Metal Industrial (Changshu) Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Chien-Kun	Limited company, not applicable	100
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Wen-Yu		
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHU, Jung-Ho		
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Wen-Hsing		
	Director (Representative of Formflex Enterprise Co., Ltd.)			
Fortune Industrial Ltd.	Chairman	TSAI, Ching-Chin	Limited company, not applicable	49
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		51
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Wen-Yu		—
Changshu Fortune Packing Material Co., Ltd.	Chairman	TSAI, Ching-Chin	Limited company, not applicable	49
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		51
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Wen-Yu		—
ARCTEK Industrial Co., Ltd.	Chairman	LIN, Jui-Chang	0	0
	Director	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	LIN, Chou-Hsien	0	0
	Director	TSAO, Yung-Chuan	180	10
	Supervisor	LIN, Tzu-Hsuan	0	0
	Supervisor	LI, Kuo-Wei	0	0
Rui Sheng Industrial Co, Ltd.	Chairman	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	TSAO, Yung-Chuan	0	0
	Director	TAI, Hsu-Sung	120,000	20
	Director	TAI, Li-Kai	60,000	10
	Supervisor	LIU, Kuo-Wei	0	0

(7) Financial situation and operation results of the company and its affiliated companies

Data drawn on Dec. 31st, 2013

Unit: NT\$1,000

Name of Business	Capital	Total Asset	Total Liability	Net Worth	Revenues	Operation Profits	Net Income (After Tax)	EPS (loss) (in NTD)(after tax)
Taiwan Fu Hsing Industrial Co., Ltd.	1,884,521	5,544,721	1,161,492	4,383,229	3,853,599	172,376	580,998	3.08
Fu Hsing Americas, INC.	9,637	109,884	49,236	60,648	49,854	7,461	10,302	34.34
Master United Investment Group Ltd.	538,240	889,498	71,750	817,748	-	(54)	41,956	(Note)
Ziyong Hardware Products (Taichang) Co., Ltd.	512,839	1,038,894	221,170	817,724	920,840	76,534	42,010	(Note)
Arctek (Shanghai) International Trading Co., Ltd.	37,078	50,464	35,926	14,538	13,822	(17,205)	(15,985)	(Note)
Formflex Enterprise Co., Ltd.	752,987	630,347	12,972	617,375	4,656	161	(40,319)	(Note)
Formflex Metal Industrial (Changshu) Co., Ltd.	735,090	1,146,716	552,547	594,169	1,392,366	(23,229)	(40,358)	(Note)
Fortune Industrial Ltd.	13,133	17,364	-	18,364	-	(30)	(529)	(Note)
Changshu Fortune Packing Material Co., Ltd.	13,133	35,059	16,919	18,140	39,463	(213)	(499)	(Note)
ARCTEK Industrial Co., Ltd.	18,000	138,940	73,565	65,375	303,101	30,433	32,046	17,803.45
Rui Sheng Insudtrial Co., Ltd.	7,200	29,050	4,561	24,489	27,064	10,761	8,685	12.06
Fortress Industrial Co., Ltd.	225,000	759,675	278,868	480,807	1,177,072	64,055	70,690	3.14

Note: Limited company, not applicable

2. Private placement of securities: None.

3. The holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

4. Other matters that require additional explanation: None.

I. Any events in the past fiscal year and in the current fiscal year up until the printing date of this annual report that had significant impact on shareholders' right and security price as stated in Item 2, Paragraph 2 of Article 36 of the Securities and Exchange Laws of Taiwan: None.