

Security Code : 9924

台灣福興工業股份有限公司

TAIWAN FU HSING INDUSTRIAL CO., LTD.



2022

ANNUAL REPORT

Printed Date: March 30th, 2023

TWSE Website: <http://www.twse.com.tw>

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

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I. Letter to Shareholders

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

2022 was a very challenging year. When the impacts of the Covid epidemic, the Russia-Ukraine war, and the logistics congestion gradually faded, high inflation followed and impacted the global economy, and the accompanying large fluctuations in exchange rates, soared raw material costs, and rising capital costs have brought severe challenges to business operations. As a member of the global village, Taiwan Fu Hsing cannot stay out of the situation. Although the profit has hit a new record again since the financial crisis, due to the impact of high material cost caused consumption shrinks resulting from inflation, our revenue was not able to continue to grow as we did in the past five consecutive years. In 2022, our sales declined slightly, and weren't able to create success together. While facing future challenges, we will still maintain a positive attitude and a steady and firm entrepreneurial spirit. With an international outlook and the strategic goal of sustainable management, we will stay rooted in Taiwan and expand globally, so that Taiwan Fu Hsing will always be a happy company that is filled with positive energy.

The Company's 2022 operation results are stated as the following:

(1) Review the implementation of Business Plan

Taiwan Fu Hsing's consolidated net operating income in 2022 was NT\$9.53 billion, a decrease of about 2% from the previous year, due to the combined impact of the depreciation of the Taiwan dollar and RMB against the U.S. dollar, sales price adjustments, and the increase in raw material costs. Gross margin in 2022 comparing to last year have improved, and the operating expenses have not changed much if we compare the two periods. Due to favorable exchange rate, foreign currency exchange gains have increased by about NT\$320 million compared with last year, and the net profit for the current period in 2022 was NT\$910 million.

NT\$1,000

List	2022	2021
Revenues	\$9,530,920	\$9,686,119
Operating Profit	904,292	763,609
Net Income Before Tax	1,205,213	813,230
Net Income After Tax	909,759	667,479

(2) Review of Budget Implementation

Taiwan Fu Hsing did not disclose financial forecast for the year of 2022. However, the actual sales revenue and profit both reached internal budgeted goals.

(3) Analysis of Receipt, Expenditure, and Profitability

List	2022	2021
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Financial Structure	Debt to Total Asset (%)	27.18	30.72
	Long Fund to Fixed Assets, Plants, and Facilities (%)	242.45	265.12
Business Solvency	Current Ratio (%)	289.16	271.03
	Quick Ratio (%)	219.51	192.42
	Interest Protection Multiples	197.77	139.28
Profitability	Return on Assets (%)	10.15	7.53
	Return on Equity (%)	14.19	11.05
	NIBT to Paid In Capital (%)	63.95	43.15
	Net Profit Ratio (%)	9.55	6.89
	Earnings Per Share (NTD\$1)	\$4.83	\$3.54

(4) Research & Development Works

Manufacturing technologies and R&D abilities have been our core competitiveness. The research and development trend of gate security related products covers the following aspects:

1. The trend of electronic: more and more door locks go with electronic design, and such includes digital combination locks, fingerprint identification locks, smart door locks, etc. These locks have higher security and convenience, so they are increasingly favored by consumers. Hence, the Company will invest more resources in the area's research and development in the future.
2. The trend of diversification: we have observed that consumers like to highlight their own style when shopping. In order to meet the different needs and preferences of consumers, the company is committed to providing more choices in terms of door lock design, including color, shape, and material.
3. The trend of environmental protection: the concern about environmental protection has penetrated into all aspects of life, including the use of environmentally friendly materials for door lock products and its packaging materials. Therefore, in terms of design and material selection, we have begun to adopt environmentally friendly materials, environmentally friendly packaging and green production processes.
4. The smart trend: it has become a trend to equip door locks with smart devices, such as smart doorbells and video surveillance, so that consumers can keep abreast of the situation at home and in the office while ensuring safety. With the development of science and technology and the continuous improvement of consumer demand, the development trend of door locks presents the direction of electronicization, diversification, environmental protection, and intelligence. In view of this, Taiwan Fu Hsing has developed a variety of mechanical locks that meet market demand; at the same time resources are also added to the development of electronic locks, as shown in the development of a variety of fingerprint locks and networked smart locks.

To look into the year ahead, our main operation directions will focus on:

1. The construct of new factory in South-East Asia

In consideration of the Company's long-term operation and development, we plan to build a more integral and more competitive manufacturing base in Southeast Asia. To this end, the Company has

successively inspected the investment environment of relevant countries in Southeast Asia, conducted an overall review on key issues such as supply chain integrity, manpower recruitment, and tax incentives, and estimated that the investment amount to be within US\$45 million, which will be invested in various stages. The relevant investment in the construction of a new factory is currently being carried out by the new factory project task force.

2. Business expansion.

Although the market environment is still unstable, we actively seek new market opportunities and strive to expand our customer base. First of all, we resumed the foreign customer visits that were suspended due to the epidemic in the past three years, strengthened the cooperative relationship with existing customers, and further expanded domestic and foreign markets. In addition, the business team also actively expanded potential customers and sought for the growth of new business opportunities. In the face of the reshuffled industrial environment after the epidemic, we will maintain close partnerships with customers based on our solid manufacturing capabilities and R&D capabilities, and continue to move steadily forward on the track of positive development under the leadership of the management team .

3. Keep investing in research and development to promote both the quality and quantity of patent The Company has so far obtained more than 1,200 patent rights from various countries. Even though it is generally predicted that the global economy will slow down due to the impact of interest rate hikes in 2023, and news of layoffs and cost reductions are reported from time to time in many technology industries, "innovation" is always one core business philosophy for Taiwan Fu Hsing, and it is also the cornerstone that leads the Company to grow. In the future, we will continue to listen to customers' needs and pay attention to market trends, promote colleague's patent knowledge and information by guide reading Gazette for Patents of the key markets, and meanwhile actively carry out the layout of patent rights in connection with places we manufacture and places we sell to ensure our products will not be copied and imitated, to win over the favor of consumers, and to provide customers with the most trusted and most secure services.

The International Monetary Fund (IMF) anticipates the global economic growth Directorate-General of Budget, Accounting and Statistics, the Executive Yuan, R.O.C. estimates that Taiwan's annual economic growth rate this year will be 2.12%, which is a new low in the past eight years with a main reason of destocking problem at the consumer end. Although there are many challenges and uncertainties, Taiwan Fu Hsing will continue holding positive attitude, keep focusing on product innovation, operation efficiency, and market expansion to promote the Company's competitiveness and profitability. We will positively and actively response to market changes, agilely adjust operation strategies, maintain a solid and steady financial management, and keep optimizing the Company operation model to ensure Taiwan Fu Hsing's continuous growth and to create long-term value for our shareholders.

Chairman:

Lin, Jui-Chang

II. Company Profile

(1) Date of Establishment

- i. Registration Date of Establishment:
November 23rd, 1957
- ii. Company and Factory Address and Phone Number:
Headquarter (Factory):
No.88, Yucai Rd., Benjhou Vil., Kangshan Dist., Kaohsiung City
Telephone No.: +886 7 6225151
Taipei Contact Office:
Address: 7F-4, No.12, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City
Telephone No.: +886 2 22787810
Taichung Contact Office:
No.310, Hezuo ST., South Dist., Taichung City
Telephone: +886 4 22859965
- iii. Business Scope:
 - A. CA04010 Metal Surface Treating
 - B. CA02070 Lock Manufacturing
 - C. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
 - D. CD01030 Automobiles and Parts Manufacturing
 - E. CD01040 Motor Vehicles and Parts Manufacturing
 - F. F214030 Retail Sale of Motor Vehicle Parts and Supplies
 - G. CQ01010 Die Manufacturing
 - H. F206030 Retail Sale of Die
 - I. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
 - J. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
 - K. CA02080 Metal Forging Industry
 - L. CA01090 Aluminum Casting Manufacturing
 - M. CA01990 Other Non-Ferrous Metal Basics Industries
 - N. ZZ99999 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
------	----------------------------------

1957~1996	<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. • 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. • 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. • With renowned good product quality, Fu Hsing was approved as one of the CNS certified factories by the Ministry of Economic Affairs. • For enhancing all employees' awareness in product quality and quality improvement, Fu Hsing started to advocate humane management and actively promoted the activity of QCC (Quality Control Circle), improvement proposal system, as well as introduced CWQC system to solidify the company's quality control system. • Invented electronic key-cards 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. • Taiwan 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-9001 certification from the Bureau of Merchandise Inspection. • Received the 7th Industrial Technology Development Award from the Ministry of Economic Affairs. • 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 in 2005. • ERP system was officially launched to achieve a more efficient integration on corporate resources and information system.
2007~2011	<ul style="list-style-type: none"> • Invested in China and set up ChangShu Fortune Packing Material Co., Ltd. with total investment amount of US\$ 204,000 dollars. • 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 the integration of corporate resources and information system. • 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. • Acquired 70% of Rui Sheng Industrial Co., Ltd. through ARCTEK Industrial Co., Ltd.

	<ul style="list-style-type: none"> • 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. • Fu Hsing's Changhua branch that was responsible for the production and sale of door closer type products was split from the Company and became 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, Benjhou Rd." to "No.88, Yucai 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 2013. • Subsidiary, Fortress Industrial Co., Ltd. established Fortress Door Control Product (Changshu) Co., Ltd. to set up a production base in China. • Established Techform Industrial Co., Ltd. to vertically integrate Fu Hsing Group's production.
2015	<ul style="list-style-type: none"> • The "2014 CSR Report" was certified by the SGS. • Received the honor of "Good Fortune Enterprise Label Award" • A warehousing facility measuring 50,000 sqft was acquired in Georgia State, United States for further cultivating North America market and providing better services to customers.
2016	<ul style="list-style-type: none"> • Subsidiary, ARCTEK Industrial Co., Ltd., acquired land and factory in Changhua County Beidou Industrial Zone for future use in order to meet with the group's goal in continuous operation. • Rewarded the "Healthy Workplace Badge for Health Promotion" by the Health Promotion Administration", Ministry of Health and Welfare • Rewarded as "2016 Sport Corporation" from the Sports Administration, Ministry of Education.
2017	<ul style="list-style-type: none"> • Received the "Corporate culture award" in the 13th "Art & Business Awards" held by the Ministry of Culture • Lock product received the honor in the 26th Taiwan Excellence Award • Started the factory construction of subsidiary, Techform Industrial Co., Ltd.
2018	<ul style="list-style-type: none"> • Lab accredited by U.S. Intertek (ITS) Satellite's Level 3 Test Data Acceptance Program • Techform Industrial Co., Ltd.'s new factory was completed construction and obtained operation license • Obtained nearby lands and buildings for a total area measured 450 ping (1488 m²)
2019	<ul style="list-style-type: none"> • Being awarded "2019 Taiwan iSports Certification" • Being awarded "Vitality Award" of the 2019 Outstanding Health Workplace • Received the 14th Arts and Business Awards in the areas of "Standard Award - Bronze" and "Better Business Award" • Being interviewed in the special column "Sport is Fashionable" of the Global Views Monthly • Set up Sunion Technology Co., Ltd.

2020	<ul style="list-style-type: none"> • Being praised by the Sports Administration for “hiring sports instructors” and had a special column interview with the Business Today magazine • AEO Certification as a qualified Authorized Economic Operator • Kaohsiung City’s Happy Corporate Golden Reward in the types of “Gender Equity” and “Welfare” • Copper Award in 2020 PwC’s CSR Influential Award (the Better Up Migrant Worker project) • 1st time to be assessed to be within the top 6%-20% enterprises in the 6th Corporate Governance Evaluation
2021	<ul style="list-style-type: none"> • Received the bronze award of the Sustainable Action Award in the criteria of the “SDG10 Reduced Inequities” in the 1st Taiwan Sustainability Action Award. • Received the 2021 Social Education Contribution Award from the Education Bureau, Kaohsiung City Government • Received the silver award in the type of Standing Award and the “Corporate Contribution Award” in the type of Special Award in the 15th Taiwan Art and Business Awards held by the Ministry of Culture • The corporate governance practice was rated top 6%-20% of the Corporate Governance Evaluation System in the 7th CG review by the Taiwan Stock Exchange; the rating was ranked top 5% among enterprises with market value in-between 5 billion to 10 billion dollars.
2022	<ul style="list-style-type: none"> • The corporate governance practice was rated top 6%-20% among all TWSE listed companies in the 2022 CG review, and was ranked top 5% among enterprises with market value in-between 5 billion to 10 billion dollars. • Obtained the Special Award of the 6th PwC’s Sustainability Impact Award. • Received the Silver Medal in the group of Local Enterprise in the 1st Diversity for Better Tomorrow Award. • Received Taiwan iSport badge from Sports Administration. • Certified as Accredited Healthy Workplace by the Health Promotion Administration. • Published the 1st English version Sustainability Report. • Acquired a factory in Pingtung Technology Industrial Park of the Export Processing Zone Administration Pingtung region, and at the same time set up a branch there for operation.

III. Corporate Governance Report

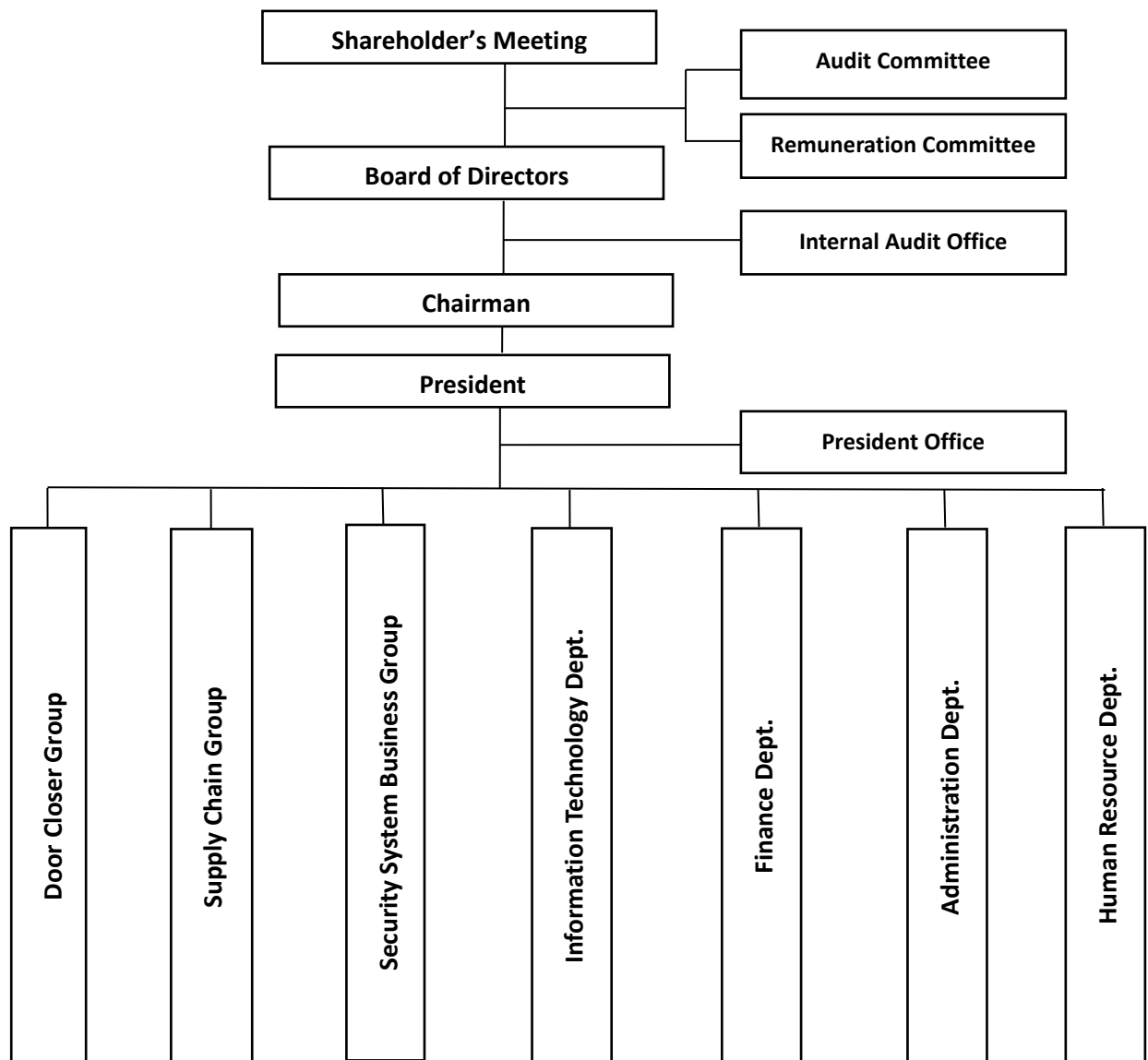
(1) Organization System

1. Organization Chart

Data drawn: Mar. 30, 2023

Taiwan Fu Hsing Industrial Co., Ltd.

Organization Chart



2.

Business scope of major business units

Department	Top Executive Officer	Business Scope
Internal Audit Office	Vice Directing Management Officer	To plan and execute the company's audit system.
President Office	President	To plan and analyze the company's operation strategy and analysis, management system, labor safety and health, legal affairs, investment, capital management, patents, and stock affairs.
IT Department	Manager	Responsible for developing and maintaining the information system in the group, as well as the development and installation of information security management system.
Finance Dept.	Deputy Manager	Responsible for accounting and taxation management
Administration Dept.	Director	Responsible for facility maintenance, building safety, general affairs administration and employee health promotion.
HR Dept.	Deputy Manager	Responsible for recruitment, educational training, employee performance management, salary management, attendance management and employee relations.
Security System Business Group	Group President	Responsible for the research, development, manufacturing, marketing, and after-sale services of door lock type products and access control systems.
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, panic exit devices, and other related products.

(2) Information on the company's directors, president, vice president, Director, and the superintendents of all the company's divisions and branch unit

1. Information on directors (1)

Data drawn on Mar. 30th, 2023

Title	Nationality or Place of Registration	Name	Gender Age	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	Male 61-70 years old	May 28, 2020	3 Years	5/31/1990	1,624,978	0.86%	1,624,978	0.86%	597,576	0.32%	-	-	Soochow University - Accounting	Note 2	Vice President Director Director	Chang, Jui-Pi Lin, Wen-Hsing Lin, Tzu-Hsuan	Spouse Brother Son
Director	Taiwan R.O.C.	Chen, Chien-Kun	Male 61-70 years old	May 28, 2020	3 Years	2/24/1993	675,132	0.36%	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 3	-	-	-
Director	Taiwan, R.O.C.	Hong Cheng Investment Development Co., Ltd.	-	May 28, 2020	3 Years	6/19/2017	5,721,451 (Note1)	3.04%	5,721,451 (Note 1)	3.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Taiwan R.O.C.	Representative: Lin, Tzu-Hsuan	Male 41-50 years old	May 28, 2020	3 Years	6/19/2017	775,191	0.41%	775,191	0.41%	-	-	-	-	University of Technology Sydney-MBA	Note 4	Chairman Vice President Chief of Culture	Lin, Jui-Chang Chang, Jui-Pi Lin, I-Cheng	Father Mother Spouse
Director	Taiwan, R.O.C.	Fu Zhi Investment Co., Ltd.	-	May 28, 2020	3 Years	5/22/1996	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Taiwan R.O.C.	Representative: Chu, Jung-He	Male 61-70 years old	May 28, 2020	3 Years	5/22/1996	95,244	0.05%	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University - EMBA	Note 5	-	-	-
Director	Taiwan, R.O.C.	Fu Zhi Investment Development Co., Ltd.:	-	May 28, 2020	3 Years	6/15/2011	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	U.S.A.	Representative: Michael A.Hoer	Male 61-70 years old	May 28, 2020	3 Years	6/15/2011	0	0%	0	0%	-	-	-	-	Brigham Young University - MBA	Note 6	-	-	-
Director	Taiwan, R.O.C.	Fu Yuan Investment Co., Ltd.	-	May 28, 2020	3 Years	4/16/1999	2,697,185 (Note1)	1.43%	2,697,185 (Note 1)	1.43%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Taiwan, R.O.C.	Representative: Lin, Wen-Hsing	Male 61-70 years old	May 28, 2020	3 Years	4/16/1999	22,134	0.01%	22,134	0.01%	90,045	0.05%	-	-	Cheng Hsiu University - Engineering	Note 7	Chairman	Lin, Jui-Chang	Brother

Director	Taiwan, R.O.C.	Fu Yuan Investment Co., Ltd.	-	May 28, 2020	3 Years	5/31/2005	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	N/A-	N/A-	N/A-	N/A-	N/A-	N/A-	N/A-	N/A-	N/A-
	Taiwan, R.O.C.	Representative: Liu, Ju-Shan	Male 51-60 years old	May 28, 2020	3 Years	5/31/2005	0	0%	0	0%	-	-	-	-	National Taiwan University of Science and Technology Graduate Program – Industrial Management	Note 8	-	-	-
Independent Director	Taiwan R.O.C.	Chang, Ling-Ling	Female 61-70 years old	May 28, 2020	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University / Accounting	Note 9	-	-	-
Independent Director	Taiwan R.O.C.	Chen, Yung-Chun	Male 61-70 years old	May 28, 2020	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University /Accounting	Note 10	-	-	-
Independent Director	Taiwan R.O.C.	Chuo, Yung-Fu	Male 51-60 years old	May 28, 2020	3 Years	5/28/2020	0	0%	0	0%	-	-	-	-	National Cheng Kung University – Architecture	Note 11	-	-	-

Note 1: Number of shares held by corporate shareholders.

Note 2: Is concurrently the Chairman of the Company, a director in Fine Blanking & Tool Co., Ltd., a director in Launch Technologies Co., Ltd., a director in Taiflex Scientific Co., Ltd., and a director in Advanced International Multitech Co., Ltd.

Note 3: Is concurrently the President of the Company.

Note 4: Is concurrently the Vice President of a business group in the Company.

Note 5: Is concurrently the Group President of a business group in the Company

Note 6: Is concurrently a director in Medifast, Inc.

Note 7: Is concurrently a director in Ziyong Hardware Products (Taichang) Co., Ltd., and a director in Formflex Metal Industrial (Changshu) Co, Ltd.

Note 8: Is currently the CEO of Waterland Venture Capital, the director of Guo Want International Leasing Corp., a director in Fortress Industrial Co., Ltd., and an independent director of the Fuzetec Technology Co., Ltd.

Note 9: Is concurrently an independent director and meanwhile a committee member in the Remuneration Committee and Audit Committee of Jong Shyn Shipbuilding Company, a director in Sun Far Computer Co., Ltd., and a committee member in the Remuneration Committee of the Taiwan Fu Hsing Industrial Co., Ltd., and a member in the Company's Audit Committee.

Note 10: Is concurrently a committee member in the Remuneration Committee and a member of the Audit Committee in Taiwan Fu Hsing Industrial Co., Ltd.

Note 11: Is the lead architect in Chou YungFu Architect Office, the chairman of ALL MAY Development Co., Ltd., a member of the Remuneration Committee in Taiwan Fu Hsing Industrial Co., Ltd, and a member of the Audit Committee in Taiwan Fu Hsing Industrial Co., Ltd.

1. Information on directors (2)

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%
Hong He Investment Co., Ltd.	Lin, Chao-Hung	33.30%
	Lin Yin, Li-Wen	33.30%
	Lin, Shao-Chien	33.30%
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%

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

1. Information on directors (3)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder	Note
Fu Xun Investment Co., Ltd.	Chang, Jui-Pi	34.17%
	Lin, Tzu-Hsuan	33.61%
	Lin, Tzu-Yang	29.44%
Hong Cheng Investment Co., Ltd.	Lin Yin, Li-Wen	39.38%
	Lin, Chao-Hung	37.86%
	Lin, Shao-Chien	14.83%
Lian Guang Investment Co., Ltd.	Lin, Wen-Hsing	21.50%
	Hsu, Mei-Hui	20.00%
	Lin, Chih-Cheng	29.50%
	Lin, Chih-Yu	29.00%
Sheng You Investment Co., Ltd.	Lin, Miao-Chen	5.21%
	Lin, Teng-Tsai	59.13%
	Lin, Chih-Wei	13.91%

	Lin, Ping-Kuan	13.91%
De Li International Investment Co., Ltd.	Lin, Miao-Yin	21.28%
	Chen, Chen-Yueh	20.21%
	Chen, Ssu-Chin	29.79%
	Chen, Ssu-Kai	28.72%

1. Information on directors (4)

I. Disclosure of the qualification of Directors and the Independency of Independent Directors

Requirement Name	Professional qualification and experiences (Note1)	Independency Situation (Note 2)	Number of other public companies that the director serves concurrently as an independent director in such company
Lin, Jui-Chang	1. Chairman of the Company 2. Leadership experience in the Board 3. Is a board member in various public companies 4. Is a board member in associated companies 5. Has experiences in commerce, financial accounting, door security and control, production and manufacturing, management consulting, electronic technology, leadership and decision making, risk management and international marketing	1. The Director is the Chairman of the Company, and he also serves as a board member in various associated companies. His spouse, CHANG Jui-Pi, serves as a Vice President in the Company. The Chairman and, LIN Tzu-Hsuan, Vice President of a business group in the Company and is a director and supervisor in various associated companies, are father-son relationship, and also the Director himself has father-son relationship with the Company's employee. Lin, Wen-Hsing, the representative of the corporate director is a brother of the Chairman, and he concurrently serves as a board member in various associated companies. 2. The Director holds 1,624,978 shares of the Company's outstanding shares; his shareholding percentage in the Company is 0.86%. His spouse, Chang, Jui-Pi, holds 597,576 shares of the Company's outstanding shares, and her shareholding percentage in the Company is 0.32%. Lin Tzu-Hsuan holds 775,191 shares of the Company's outstanding shares, and his shareholding percentage in the Company is 0.41%. Lin, Wen-Hsing holds 22,134 shares of the Company's outstanding shares, and his shareholding percentage in the Company is 0.01%. 3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : Yes. 4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0 5. The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.	0

Chen, Chien-Kun	<p>1. President of Taiwan Fu Hsing Group</p> <p>2. A board member in associated companies</p> <p>3. Has experiences in commerce, financial accounting, door security and control, production and manufacturing, management consulting, leadership and decision making, risk management and international marketing.</p>	<p>1. The Director is the President of Taiwan Fu Hsing Group, and he serves as a board member in various associated companies. He has a 1st degree affinity relationship with the Company's employee.</p> <p>2. The Director himself holds 675,132 shares of the Company's outstanding share, and his shareholding percentage in the Company is 0.36%. His spouse holds 6,940 shares of the Company's outstanding share, and her shareholding percentage in the Company is 0%.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : Yes.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5. The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0
Lin, Tzu-Hsuan / Representative of Hong Cheng Investment Co., Ltd.	<p>1. Is the Vice President of the Company.</p> <p>2. A board member in associated companies</p> <p>3. Has experiences in commerce, door security and control, production and manufacturing, leadership and decision making, risk management, and international marketing</p>	<p>1. The Director himself is the Vice President of the Company. He also serves as a director in various associated companies. His spouse, Lin, I-Cheng, is the Chief of Culture in the Company. He is the son of the Chairman of the Company, Lin Jui-Chang (father-son relationship), and is the son of the Vice President of the Company, Chang Jui-Pi (mother-son relationship). He also has brotherly relationship with the Company's employee.</p> <p>2. The Director himself holds 775,191 shares of the Company's outstanding share; his shareholding percentage in the Company is 0.41%. His spouse, Lin, I-Cheng, holds 0 shares of the Company. The Chairman, Lin, Jui-Chang, holds 1,624,978 shares of the Company's outstanding shares; his shareholding percentage in the Company is 0.86%. Vice President, Chang, Jui-Pi, holds 597,576 shares of the Company's outstanding shares; her shareholding percentage in the Company is 0.32%.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : Yes.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5. The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0

Chu, Jung-He / Representative of Fu Zhi Investment Development Co., Ltd.	<p>1.Is the President of the Company's business group</p> <p>2.A board member in associated companies</p> <p>3. Has experiences in commerce, door security and control, production and manufacturing, management consulting, electronic technology, leadership and decision making, risk management, and international marketing</p>	<p>1.The Director himself is the President of a business group in the Company, and he serves as a director in various associated companies. Neither his spouse nor any of the 2-degree or closer relatives serve as a director, supervisor, or employee of the Company or in its associated companies.</p> <p>2.The Director himself holds 95,244 shares of the Company's outstanding shares; his shareholding percentage in the Company is 0.05. His spouse and 2nd-degree or closer relatives holds 0 shares of the Company's outstanding shares.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : Yes.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5.The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0
Michael A. Hoer / Representative of Fu Zhi Investment Development Co., Ltd.	<p>1.Is a board member in Medifast, Inc.</p> <p>2.Has experience in commerce, production and manufacturing, management consulting, electronic technology, leadership and decision making, risk management and international marketing</p>	<p>1.The Director serves as a director in the Company. Neither his spouse nor any of the 2-degree or closer relatives serve as a director, supervisor, or employee of the Company or in its associated companies.</p> <p>2.The Director, his spouse, and 2nd-degree or closer relatives hold 0 shares of the Company's outstanding shares.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : No.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5.The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0
Lin, Wen-Hsing / Representative of Fu Yuan Investment Co., Ltd.	<p>1.Is a board member in associated companies</p> <p>2.Has experiences in commerce, door security and control, production and manufacturing, management consulting leadership and decision making, risk management and international marketing</p>	<p>1.The Director himself serves as a director in the Company and in the Company's associated companies. He and an employee of the Company has father-son relationship. The Director himself and the Chairman of the Company are brothers.</p> <p>2.The Director himself holds 22,134 shares of the Company's outstanding shares; his shareholding percentage in the Company is 0.01%. His spouse holds 90,045 shares of the Company's outstanding shares; her shareholding percentage in the Company is 0.05%.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : Yes.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5.The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0

Liu, Ju-Shan / Representative of Fu Yuan Investment Co., Ltd.	<p>1.Is a board member in associated companies</p> <p>2.Is the CEO of Waterland Venture Capital, a director in Guo Wang International Leasing Corp., and an independent director in Fuzetec Technology Co., Ltd.</p> <p>3.Has experiences in commerce, management consulting, leadership and decision making, risk management, and international marketing</p>	<p>1. The Director himself serves as a director in the Company and in the Company's associated companies. Neither his spouse nor any of the 2-degree or closer relatives serve as a director, supervisor, or employee of the Company or in its associated companies.</p> <p>2. The Director, his spouse, and 2nd-degree or closer relatives hold 0 shares of the Company's outstanding shares.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : Yes.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5.The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	1
Chang, Ling-Ling	<p>1.Is a committee member of the Company's Remuneration Committee and the convener of the Audit Committee</p> <p>2.Has CPA certificate, and is an accountant and the Director of Georgia CPAs Firm</p> <p>3.Is a board member in various public companies</p> <p>4.Expertise in the planning and establishment of investment projects for corporate, corporate and individual's taxation planning, the establishment and set up of accounting system for corporate</p> <p>5.Has experiences in financial accounting, commerce, management consulting, electronic technology, leadership and decision making, and risk management</p>	<p>1. The Director himself serves as a director in the Company. Neither her spouse nor any of the 2-degree or closer relatives serve as a director, supervisor, or employee of the Company or in its associated companies.</p> <p>2. The Director, the spouse, and 2nd-degree or closer relatives hold 0 shares of the Company's outstanding shares.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : No.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5.The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	1
Chen, Yung-Chun	<p>1.Is a committee member of the Company's Remuneration Committee and Audit Committee</p> <p>2.Was the Vice President in the Finance Dept. in Min Aik Technology Co., Ltd., the Vice President in the Finance Dept. in Kang Lian Co., Ltd., and the CFO of DIMERCO's associated company</p> <p>3.Has experiences in financial accounting, commerce, production and manufacturing, management consulting, electronic technology, leadership and decision making, and risk management</p>	<p>1. The Director himself serves as a director in the Company. Neither his spouse nor any of the 2-degree or closer relatives serve as a director, supervisor, or employee of the Company or in its associated companies.</p> <p>2. The Director, his spouse, and 2nd-degree or closer relatives hold 0 shares of the Company's outstanding shares.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : No.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5.The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0

Chuo, Yung-Fu	<p>1. Is a committee member in the Company's Remuneration Committee and Audit Committee</p> <p>2. The lead architect of the ZHUO YUNG FU Architect Firm, and the Chairman of the All May Development Group</p> <p>3. Has experiences in architectural design and land planning, commerce, production and manufacturing, management consulting, leadership and decision making, risk management, and vision on international market</p>	<p>1. The Director himself serves as a director in the Company. Neither his spouse nor any of the 2-degree or closer relatives serve as a director, supervisor, or employee of the Company or in its associated companies.</p> <p>2. The Director, his spouse, and 2nd-degree or closer relatives hold 0 shares of the Company's outstanding shares.</p> <p>3. Whether the Director serves as a director, supervisor, or employee in a company that has special relationship with the Company (please refer to the situation listed in Article 3, point 5-9, in Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? : No.</p> <p>4. Compensations obtained in the most recent two years in return for services in relation to business affairs, legal affairs, financial affairs, and accounting services provided to the Company or the Company's associated companies? : 0.</p> <p>5. The Director himself does not have any of the circumstances stated in Article 30 of the Company Act.</p>	0
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Note 1 : Professional qualification and experiences of individual director and supervisor: if the Company has set up the Audit Committee and a committee member has expertise in accounting or finance, please provide on the member's accounting or finance background, as well as the work experiences. In addition, please also indicate whether there is any circumstance as stated in Article 30 of the Company Law

Note 2 : For independent directors, qualifications on independency should be stated, which includes but not limit to matters in relation to whether the independent director, his/her spouse, and any of the within 2nd-degree relatives serves as a director, supervisor or employee in the Company or any of the Company's affiliated companies, whether the independent director, his/her spouse, and any of the within 2nd-degree relatives (or under different names) holds the Company's share and if any, should state the shareholding percentage, whether the independent director, his/her spouse, and any of the within 2nd-degree relatives serves as a director, supervisor, or employee in any companies that have specified relationship with the Company (please refer to Article 3-1, item 5-8, of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and remunerations received in the most two recent years in exchange for any commerce, legal, finance, and accounting services provided to the Company or its affiliated companies.

II. Diversification and Independency of the Board

A. Diversification of the Board

"The policy on the Board's diversification":

- i. The composition of the board of directors should consider various needs such as the company's operating structure, business development direction, and future development trends, and evaluate various aspects of diversity, such as basic conditions and values (such as gender, age, nationality and culture, etc.), professional knowledge and skills, professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.
- ii. Incorporating diverse viewpoints and opinions into the discussion of board of directors will help improve the quality of decision-making and strengthen the protection of the rights and interests of the company's shareholders and other stakeholders.
- iii. The board of directors and management shall value the inclusiveness and

diversity of suggestions and viewpoints to be in conformity with the company's values of innovation, service, and quality.

“The Management Goal of Diversification”

- i. The company pays attention to gender equality in the composition of the board of directors, and has set the target ratio of female directors to be more than one-third (i.e. 33%) of the total number of the directors. Currently, 90% of board members are male directors (9), and 10% are female directors (1). In the future, the Company will make efforts to increase the number of female directors in order to achieve the goal.
- ii. The board of directors supports and encourages any measures that the Company has adopted to increase the ratio of female management; such measures include education and training programs, mother-infant friendly environment, and childcare leave, etc..

B. Independency of the Board

- i. In addition to the possession of necessary knowledge, skills and literacy to perform their duties, in order to achieve the ideal goal of corporate governance, the overall capabilities of the board of directors should include: 1. Operation and management capabilities 2. Leadership decision-making capabilities 3. Industry knowledge 4. Operational Judgment ability 5. Accounting and financial analysis ability 6. Vision on international market 7. Social care.
- ii. The nomination and selection of members of the board of directors of the Company is executed in accordance with the provisions of the Company's Articles of Incorporation and with the references to the Board Diversity Policy, and fully evaluates the educational experience and qualifications of each candidate to ensure the diversity and independence of board members.
- iii. Please refer to (3) Director's Information in Corporate Governance Report for relevant information of each director's educational experience, gender, professional qualifications, work experience, etc.
- iv. Disclosure on Board Diversification

Diversification Core Element Name of Directors	Basic Element									Industry Experience				Professional Ability			
	Nationality	Gender	Whether is also the Company's Employee	Age (years-old)			Seniority as an independent director (years)			Door Safety and Control	Production & Manufacturing	Management Consulting	Electronic Technology	Finance & Accounting	Leadership & Decision-Making	Risk Management	Vision on International Market
				41~50	51~60	61~70	Less than 3	3~9 years	More than 9								
Lin, Jui-Chang	R.O.C.	M	✓			✓				✓	✓	✓	✓	✓	✓	✓	✓
Chen, Chien-Kun	R.O.C.	M	✓			✓				✓	✓	✓		✓	✓	✓	✓
Lin, Tzu-Hsuan	R.O.C.	M	✓	✓						✓	✓				✓	✓	✓
Chu, Jung-He	R.O.C.	M	✓			✓				✓	✓	✓	✓		✓	✓	✓
Michael A. Hoer	U.S.A.	M				✓					✓	✓		✓	✓	✓	✓
Lin, Wen-Hsing	R.O.C.	M				✓				✓	✓	✓			✓	✓	✓
Liu, Ju-shan	R.O.C.	M			✓							✓	✓		✓	✓	✓
Chang, Ling-Ling - Independent Director	R.O.C.	F				✓		✓			✓	✓	✓	✓	✓	✓	
Chen, Yung-Chun - Independent Director	R.O.C.	M				✓		✓			✓		✓	✓	✓	✓	
Chuo, Yung-Fu - Independent Director	R.O.C.	M			✓		✓				✓	✓			✓	✓	✓

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

Data Drawn on Mar. 30th, 2021

Title	Nationality	Name	Gender	Post Beginning Date (yyyy/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	Male	1994/01/01	675,132	0.36%	6,940	0.003%	-	-	Soochow University - Accounting	Note	-	-	-
President of Business Group	Taiwan R.O.C.	Chu, Jung-He	Male	2008/01/01	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University – EMBA	Note	-	-	-
President of Business Group	Taiwan R.O.C.	Lin, Teng-Tsai	Male	2008/01/01	200,129	0.11%	43,428	0.02%	-	-	National Hsin Hua Industrial Vocational High School – Mechanical Engineering	Note	-	-	-
Vice President	Taiwan R.O.C.	Chang, Jui-Pi	Female	2010/05/01	597,576	0.32%	1,624,978	0.86%	-	-	Ming Chuan University – International Trade	None	Vice President	Lin, Tzu-Hsuan	Mother-Son
Vice President	Taiwan R.O.C.	Wang, Han-Ting	Male	2010/05/01	28,439	0.02%	-	-	-	-	National Cheng Kung University – Mechanical Engineering	Note	-	-	-

Vice President	Taiwan R.O.C.	Lin, Tzu-Hsuan	Male	2014/04/01	775,191	0.41%					University of Technology Sydney / MBA	Note	Vice President Chief of Culture	Chang, Jui-Pi Lin, I-Cheng	Mother-Son Spouse
Vice President	Taiwan R.O.C	Llin Shih-Huang	Male	2023/01/01	40,000	0.02%	-	-	-	-	University of Michigan – Ann Arbor – Doctoral in Machinery	Note	-	-	-
Vice President	Taiwan R.O.C	Chu, Hung-Yang	Male	2023/01/01	23,354	0.01%	-	-	-	-	Fu Jen Catholic University – International Trade	None	-	-	-
Director	Taiwan R.O.C	Li, Chen-Hui	Male	2004/10/01	968	-	-	-	-	-	Tung Hai University - Politics	None	-	-	-
Director	Taiwan, R.O.C.	Lin, Wen-Yu	Male	01/01/2020	18	-	2,090	0.001%	-	-	National Central University – EMBA, Cross-Strait Management	None	-	-	-
Chief Finance Officer	Taiwan R.O.C.	Li, Kuo-Wei	Male	2015/02/01	2,000	0.001%	-	-	-	-	National Chengchi University - Accounting	Note	-	-	-

Plant Manager	Taiwan R.O.C.	Chung, Hsuan-Tung	Male	2004/10/01	2,000	0.004%	-	-	-	-	Aletheia University – Industrial Management	None	-	-	-
Chief of Culture	Taiwan, R.O.C.	Lin, I-Cheng	Female	2021/08/01	-	-	775,191	0.86%	-	-	University of New South Wales/HR Management	None	Vice President	Lin, Tzu-Hsuan	Spouse
Acting Deputy Manager of the HR Dept.	Taiwan, R.O.C.	Hsu, Hui-Ling	Female	03/01/2023	-	-	-	-	-	-	National Cheng Kung University / M.B.A.	None	-	-	-
Manager of IT Dept.	Taiwan R.O.C.	Tsai, Yu-Kung	Male	2005/09/01	4,020	0.002%	-	-	-	-	Chung Yuan Christian University- Information Management	None	-	-	-
Deputy Manager of the Financial Dept.	Taiwan, R.O.C.	Wu, Hui-Min	Female	2021/02/01	-	-	12,000	0.006%	-	-	TungHai University / Accounting Dept.	None	-	-	-

Note: Disclosure omitted if the person has concurrent position in other non-public companies.

(3) Remuneration paid to directors, president and vice president in current fiscal year

1. Remuneration paid to directors and independent directors

Unit: NTD1,000

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)		Director's Compensation (C)		Business Incurred Fees (D) (Note 1)				Salary, rewards, and special fees, etc. (E) (Note 3)		Retirement Payment (F) (Note 4)		Employee's Compensation (G)						
			The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company		All companies in the consolidated report		The Company	All companies in the consolidated report	
Director	Chairman	Note 5	-	-	-	-	16,860	16,860	264	264	17,124 1.88%	17,124 1.88%	11,594	13,088	--	-	20,222	-	20,222	-	48,940 5.38%	50,434 5.54%	None
	Director	Note 6																					
	Director	Note 7																					
	Director	Note 8																					
	Director	Note 9																					
	Director	Note 10																					
	Director	Note 11																					
Independent Director	Independent Director	Note 12	-	-	-	-	2,640	2,640	126	126	2,766 0.30%	2,766 0.30%	--	-	-	-	-	-	-	2,766 0.30%	2,766 0.30%	None	
	Independent Director	Note 13																					
	Independent Director	Note 14																					

	<p>1. Please explain company's policy on independent director's remuneration, system, standard, and structure, and state the correlation between remuneration paid to independent directors and his work job responsibility, risk, invested time, and other related factors:</p> <p>The Company's independent directors only receive a fixed amount of remuneration and do not participate in the distribution of director's remuneration. The pay policy, system, standard and composition of such fixed remuneration is mainly made in accordance with the Company's Articles of Incorporation, stated as in Article 26-1 "...the Company shall distribute no more than five percent of the current fiscal year's profit to its directors as remunerations." In addition, factors, such as independent director's impersonal and objective position, dedication to board reviews, and average remuneration standard across the industry, are also taken into consideration in order to provide appropriate renunciation.</p> <p>The related performance evaluation information and the reasonableness of the remuneration are reviewed by the Company's Remuneration Committee and the Board, and maybe re-evaluated at any time according to actual operational situation and current laws and regulations for achieving a balance in-between a sustainable operation and risks management.</p> <p>2. Except for the above disclosure, remunerations paid to directors for providing services (such as serving as a non full-time consultant in the Company/subsidiaries that are listed in the Company's consolidated report/re-invested companies, etc.) during the most current fiscal year: None.</p>
	<p>*please provide information separately for directors (general directors, not interdependent directors) and independent directors.</p> <p>Note 1: Included travelling expense of \$390 thousand dollars.</p> <p>Note 2: NIAT referred to the net earnings after tax of \$909,759 thousand dollars in 2022.</p> <p>Note 3: Included assigned business car expense \$1,510 thousand dollars.</p> <p>Note 4: Was a reserve account for retirement benefits in 2022, which was not yet paid.</p> <p>Note 5: Lin, Jui-Chang</p> <p>Note 6: Chen, Chien-Kun</p> <p>Note 7: Hong Cheng Investment Co., Ltd.</p> <p>Note 8: Chu, Jung-He, representative of Fu Zhi Investment Development Co., Ltd.</p> <p>Note 9: Michael A.Hoer, representative of Fu Zhi Investment Development Co., Ltd.</p> <p>Note 10: Lin, Wen-Hsing, representative of Fu Yuan Investment Co., Ltd.</p> <p>Note 11: Liu, Ju-Shan, representative of Fu Yuan Investment Co., Ltd.</p> <p>Note 12: Chang, Ling-Ling</p> <p>Note 13: Chen, Yung-Chun</p> <p>Note 14: Chuo, Yung-Fu</p>

Remuneration Range Table

Remuneration range for directors of the company	Name of Director			
	The total of first 4 remunerations (A+B+C+D)		The total of first 7 remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Report H	The Company	All Companies in the Financial Report I
Less than NT\$1,000,000	Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu	Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu	Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu	Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)				
NT\$2,000,000 (including) ~ NT\$3,500,000 (excluding)	Lin, Jui-Chang Chen, Chien-Kun Hong Cheng Investment Co., Ltd. Chu, Jung-He (representative of Fu Zhi Investment Development Co., Ltd.) Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) Lin, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) Liu, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	Lin, Jui-Chang Chen, Chien-Kun Hong Cheng Investment Co., Ltd. Chu, Jung-He (representative of Fu Zhi Investment Development Co., Ltd.) Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) Lin, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) Liu, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	Hong Cheng Investment Co., Ltd. Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) Lin, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) Liu, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	Hong Cheng Investment Co., Ltd. Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) Lin, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) Liu, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)
NT\$3,500,000 (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)			Lin, Jui-Chang Chen, Chien-Kun Chu, Jung-He (representative of Fu Zhi Investment Development Co., Ltd.)	Lin, Jui-Chang Chen, Chien-Kun
NT\$15,000,000 (including) ~ NT\$30,000,000 (excluding)				Chu, Jung-He (representative of Fu Zhi Investment Development Co., Ltd.)
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. Remuneration paid to President and Vice President

Unit: NTD1,000

Title	Name	Salary(A)		Retirement Payment (B) (Note 1)		Rewards and Special Fees, etc... (C) (Note 2)		Employee’s Compensation (D)				Summation of A, B, C and D to NIAT (%) (Note 3)		Remuneration received from investments in other subsidiaries
		The Company	All Companies in the Financial Report	The Company	All Companie s in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
President	Chen, Chien-Kun	16,465	17,959	664	664	902	902	26,378	-	26,378	-	44,409 4.88%	45,903 5.05%	None
President of Business Group	Lin, Teng-Tsai													
President of Business Group	Chu, Jung-He													
Vice President	Chang, Jui-Pi													
Vice President	Wang, Han-Ting													
Vice President	Lin, Tzu-Hsuan													
Note 1: Was a reserve for retirement benefits in 2022, which was not yet paid. Note 2: Included assigned business car expense \$902 thousand dollars. Note 3: NIAT referred to the net earnings after tax of \$909,759 thousand dollars in 2022														

Remuneration Range Table

Remuneration range for President and Vice President of the company	Name of President and Vice President	
	The Company	All Companies under the Consolidated Report E
Below NT\$1,000,000	-	-
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)		
NT\$2,000,000 (including) ~ NT\$3,500,000(excluding)		
NT\$3,500,000 (including) ~ NT\$5,000,000 (excluding)	Wang, Han-Ting	Wang, Han-Ting
NT\$5,000,000 (including) ~ NT\$10,000,000 (excluding)	Chen, Chien-Kun/Lin, Teng-Tsai/Chang, Jui-Pi/Lin, Tzu-Hsuan	Chen, Chien-Kun/Lin, Teng-Tsai/Chang, Jui-Pi/Lin, Tzu-Hsuan
NT\$10,000,000 (including) ~ NT\$15,000,000 (excluding)	Chu, Jung-He	Chu, Jung-He
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		

3. Names of managers receiving employee's compensation and the allocation

Fiscal Year 2022 / Unit:NTD1,000

	Job Title (Note 1)	Name (Note 1)	Amount of Stock Compensation	Amount of Cash Compensation	Total	Total Amount in % out of NIAT (%)
Managers	President	Chen, Chien-Kun	-	35,724	35,724	3.93%
	President of Business Group	Chu, Jung-He				
	President of Business Group	Lin, Teng-Tsai				
	Vice President	Chang, Jui-Pi				
	Vice President	Wang, Han-Ting				
	Vice President	Lin, Tzu-Hsuan				
	Director	Li, Chen-Hui				
	Director	Chu, Hung-Yang				
	Director	LIN, Wen-Yu				
	Director	Lin, Shih-Huang				
	Plant Manager	Chung, Hsuan-Tung				
	Chief Finance Office	Li, Kuo-Wei				
	Chief of Culture	Lin, I-Cheng				
	Superintendent in the Accounting Dept.	Wu, Hui-Min				
Note 1: Scope of manager type of rank is defined below following the regulations states on Correspondence Tai-Cai-Zheng-San-Zi:0920001301 issued on Mar. 27 th , 2003. (1) President and of the same rank (2) Vice President and of the same rank (3) Director and of the same rank (4) Supervisor in the Finance Dept. (5) Supervisor in the Accounting Dept. (6) Other competent persons that are responsible for handling the Company’s administration issues with signature rights Note 2: NIAT referred to the net earnings after tax of \$909,759 thousand dollars in 2022.						

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

Title	Proportion of total net profit distributed to the company's directors, supervisors, President and vice President in the 2022 company report and consolidated report .	Proportion of net profit distributed to the company's directors, supervisors, President and Vice President in the 2021 company report and consolidated report .
Directors	5.84%	6.92%
Supervisors (note)	0.00%	0.00%
President & Vice President	5.05%	6.54%

Note: In 2020, the Company has established an Audit Commission to replace the role of supervisors.

5. The policy, standard and formation of remunerations, the procedures for setting remunerations, and the relationship with business performance and future risks:

- A. The policy, standard and formation of remunerations
- i. The Company's independent directors only receive a fixed remuneration and do not participate in the distribution of director's remuneration. With regard to other director's remuneration, according to the Article 26-1 of Articles of Incorporation, remunerations paid to directors should be distributed based on the principle of not higher than five percent of the current year's profit, and should also take the Company's operating results and director's contribution to the Company's performance into consideration. The Company regularly evaluates the remuneration of directors in accordance with the "Directors' Performance Evaluation Method". The relevant performance evaluation and the rationality of the remuneration are reviewed by the Remuneration Committee and the board of directors.
 - ii. According to Article 26-1 of the Articles of Incorporation, the Company should distribute not lower than 5% of its current year's profit to employees as remuneration. And the Remuneration Committee is responsible for compiling and revising "Taiwan Fu Hsing's Remuneration Policy (currently on version 4)", in which states that the remuneration paid to managers is based on the formula and principle of each manager's performance.

The aforementioned bonus formula and principle considers a reasonable adjustment, while taking into the considerations of the Company's operational results per year, manager's position and performance, as well as manager's responsibility scope.

Total remunerations paid to the company's Chairman, President, and Vice President includes the basic salary, allowance for additional duty and meal. The strategy to set and pay the remuneration is based on the Company's "Manners to manage employee post structure and salary", while is also considering the remuneration level in this industry, the scope of power

and responsibility, contribution made to achieve the Company's operational goal. 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, which includes financial indexes, such as the Company's sales result, and the achievement of the Company's net profit before and after tax, and non-financial indexes, such as law compliance of the department and major deficiency in relation to operational risks, of the year.

- iii. The formation of the remuneration paid by the Company is set in accordance with the organizational regulations of the Remuneration Committee, and that should include cash remuneration, stock options, dividends, retirement benefits or resignation benefits, various allowances and other measures with substantial incentives; the coverage should be in accord with regulations stating the remunerations paid to directors and managers as stated in Regulations Governing Information to be Published in Annual Reports of Public Companies.

B. Procedure for setting remunerations

In order to regularly evaluate the remuneration of directors and managers, the Company's "Board of Directors Performance Evaluation Method" and "Taiwan Fu Hsing Salary Policy" are used as the basis for the evaluation results. The procedures to calculate director's remunerations should consider not only the Company's overall business performance, risks and development trends in the industry, but also personal performance achievement and personal contribution to the Company's operation performance to provide reasonable compensations. The performance evaluation and the reasonableness of compensation of Directors, CEO, and Vice President both are verified by the Company's Remuneration Committee and board of directors, and may be reviewed and discussed at any time in accordance with the Company's actual operation situation and related laws and regulations at all times to manage and balance the goals of sustainable operation and risk management. The actual distribution amount paid to directors and managers in 2022 is reviewed by the Remuneration Committee and send for approval at the board of directors.

C. The relationship with business performance and future risks

The review on the Company's remuneration policy related payment standard and system mainly considers the Company's overall operating status, and the payment standard is approved based on the performance achievement rate and contribution level in order to improve the overall organization's team effectiveness of the board of directors and management department. In addition, the salary standard across the industry is also considered to ensure that the salary of the Company's management is competitive, so as to retain excellent management talents. The Company's managers' performance goals are all linked to "risk management" to ensure that possible risks within the scope of duties can be managed and prevented, and the actual performance evaluation results are linked to the relevant human resources and relevant salary and remuneration policies.

The important decisions of the Company's management are made after considering various risk factors. The performance of relevant decisions is reflected in the Company's profit situation, and further related to management's remuneration and the performance of risk control.

(4) Corporate governance practices

1. Information relating to the Operation of Board of Directors

During the fiscal year 2022, 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	6	0	100%	
Director	Representative of Hong Cheng Investment Co., Ltd.: Lin, Tzu-Hsuan	5	0	83%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Chu, Jung-He	6	0	100%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	5	0	83%	
Director	Representative of Fu Yuan Investment Co., Ltd.: Lin, Wen-Hsing	5	0	83%	
Director	Representative of Fu Yuan Investment Co., Ltd.: Liu, Ju-Shan	6	0	100%	
Independent Director	Chang, Ling-Ling	6	0	100%	
Independent Director	Chen, Yung-Chun	6	0	100%	
Independent Director	Chuo, Yung-Fu	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:

Date of the Meeting in 2022	Important Resolution	Opinion of the Independent Directors	React to Independent
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(mm/dd/yyyy)		Director's Opinions	
1 st Meeting on 01/24/2022	To review 2022 operational plans and goals	Approved	Not Applicable
	To discuss on the assessment of accountant's independency and the appointments of certifying CPAs	Approved	Not applicable
	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2021"	Approved	Not applicable
	To review "2021 Remuneration Paid to Managers and Employees"	Approved	Not Applicable
2 nd Meeting on 03/9/2022	To adopt the 2021 business report and financial statements	Approved	Not Applicable
	To resolve on the 2021 earnings distribution	Approved	Not Applicable
3 rd Meeting on 05/6/2022	To discuss to recognize the 2022 Q1 Consolidated Financial Report	Approved	Not Applicable
4 th Meeting on 8/5/2022	To discuss to recognize the 2022 Q2 Consolidated Financial Report	Approved	Not Applicable
5 th Meeting on 10/06/2022	The proposal to acquire a factory at Pingtung Technology Industrial Park Zone in the Export Processing Zone Administration Pingtung Region, and at the same time to set up a branch there for operation.	Approved	Not Applicable
6 th Meeting on 11/04/2022	To discuss to recognize the 2022 Q3 Consolidated Financial Report	Approved	Not Applicable
	To discuss the 2023 Audit Plan	Approved	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:

While was reviewing the proposal of "Total Remunerations pad to Employees, Directors and Supervisors" and "Remuneration paid to Managers and Employees", Lin, Jui-Chang, Chen, Chien-Kun, Chu, Jung-He, Michael A.Hoer, Lin, Tzu-Hsuan, Lin, Wen-Hsing, and Liu, Ju-Shan as the Company's directors and have conflicts of interest with the representing juridical company all refused the involvement in the voting according to related laws and regulations.

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...):

1. Directors to pursue further education: all the Company's directors took self-advancing courses held by the Accounting Research and Development Foundation, Common Wealth Magazine, Securities and Futures Institute, and TWSE to continuously obtain new knowledge and achieve better results in interactions and sharing. The total directors' training hours in 2022 were 61 hours.

2. 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. Upholding the spirits of transparent operation and shareholder's right maintenance, the Company created the sections of "Investors" and "CSR" on the Company's website to provide real-time information to the public. In addition, institutional investor's conferences are regularly planned and held too.

3. Liability insurance for directors (and supervisors): for protecting Fu Hsing directors from risks while they are in the mission to carry out their duties, the Company, started from 2018, purchased liability insurance for its directors. The Company will regularly inspect the contents of such liability insurance to ensure the maximum amount of coverage and covering extents can meet the actual demands, and the review will be reported to board of directors every year.
4. Implementation status: Implemented in accordance with the Board of Director's Rules of Procedures: and the implementation were good.

4. The execution of Board Evaluation

Evaluation Frequency	Evaluation Period	Scope of Evaluation	Measures of the Evaluation	Evaluation Contents	Results
Once Per Year	1/1/2022 ~ 12/31/2022	1. Assess the overall Board performance	Internal assessment	1. The participation level in the Company's operation 2. The enhancement of the Board's strategy-making quality 3. The composition and structure of the Board 4. The election and continuing education of the board members 5. Internal control	1. The directors provided opinions from the aspects of the industry, accounting, finance, international situation, etc., on the proposals, which were brought up for thorough discussion and formed the operation decision after a collegiate discussion. Therefore, the overall evaluation result of the performance of the board of directors was excellent. For the future operation of the Company, it is planned to invite department heads to report the latest product development and sales trends to be reference information for the board of directors to make decisions. 2. The evaluation results were reported to the Board of Directors on Jan. 16 th , 2023.
		2. Assess individual board member's performance		1. The control on Company's goal and assignment 2. The awareness of director's responsibilities 3. The participation level in the Company's operation 4. The management and communication of internal relationship 5. Director's professionalism and continuing education 6. Internal control	1. All members of the Board have completed the annual advance courses, shared the course experience, and communicated with other directors. Members participated in the meeting through personal presentation in the meeting or video conference, and made decisions after thorough communication and discussion in the meeting. Therefore, the result of the evaluation on overall performance was excellent. The directors also proposed to plan an initial training course (12 hours in total) for new directors to help new directors quickly understand the Company's overall situation and their own

					responsibilities, so that they can give full play to their strengths. The proposal is scheduled to be implemented after the new directors are elected in 2023. 2. The evaluation results were reported to the Board of Directors on Jan. 16 th , 2023.
		3. Assess functional committee's performance		1. The participation level in the Company's operation 2. The awareness of functional committee's responsibilities 3. The enhancement of functional committee's strategy-making quality 4. The composition and member-selection of the functional committee 5. Internal control	1. The members of each functional committee discussed matters seriously, actively participated in the meeting, and formed a decision after listening to the reports of relevant departments and mutual discussion. Therefore, the result of the evaluation on overall performance of each functional committee was excellent. In light of the need and expectation of the committee members, it is planned to invite internal and external professionals to formulate a special report on the matters to serve as reference material for functional committee members to make decisions. 2. The evaluation results were reported to the Board of Directors on Jan. 16 th , 2023.

*Note: functional committee includes the Audit Committee and the Remuneration Committee.

2. Information relating to the operation of Auditing Committee:

The Company's Audit Committee is composed of 3 independent directors with professional qualification and experiences set forth in the following table:

Name	Professional Qualification and Experiences
Chang, Ling-Ling	Ms. Chang, Ling-Ling is qualified as an accountant and has more than 20 years of experience in accounting firms. She specializes in the planning and establishment of corporate investment projects, corporate and personal tax planning, corporate accounting system design and establishment, as well as corporate accounting, taxation, internal control and provision of other management consulting services. In addition to being a member of the board of directors in a number of public companies, Ms. Chang also once was a financial and tax accounting business consultant of the Export Processing Zone Administration of the Ministry of Economic Affairs, an evaluator for accounting technician's skills verification, and an arbitrator of the Chinese Arbitration Association, Taipei.
Chen, Yung-Chun	Mr. Chen, Yung-Chun specializes in accounting and finance. He has served as an important financial director in a listed company, and has extensive financial decision-making and investment experience. Besides being a committee member of the Company's Remuneration Committee, Mr. Chen also once was the Vice President of the Finance Dept. in Min Aik Technology Co., Ltd., Vice President of the Finance Dept. in Kang Lien Enterprise, and the CFO in DIMERCO's affiliated company.
Chuo, Yung-Fu	Mr. Chuo, Yung-Fu specializes in architectural design and land planning and development. From 2013 to 2019, he served as the chairman of the Real Estate Development Association of Kaohsiung City. He also once was a member in the Kaohsiung City Urban Design and Land Development Permit Review Committee, and a member in the Environmental Protection Fund Management Committee. Currently, Mr. Chuo is the lead architect of Chuo Yungfu Architect Office, and the Chairman of ALL MAY Development Co., Ltd.

Major work summary of the current year by the Company's Audit Committee and the operational situation are as below:

1) The Company's Audit Committee is composed three independent directors of the Company. The goal of the Audit Committee aim at assisting the Board to oversee the Company's quality and credibility in carrying out accounting, auditing, and financial reporting procedures, as we as in its financial control. Matters for deliberation are as below:

- ◆ Financial report
- ◆ Internal control system and the related strategy and procedure
- ◆ Significant asset or derivative products transaction
- ◆ Major loans and endorsements/guarantees
- ◆ Raise or issue securities
- ◆ Derivative financial products and cash investment status
- ◆ The appointment, dismissal or remuneration in relation to certifying accountants
- ◆ The appointment and dismissal of financial, accounting, or internal audit superintendents
- ◆ The implementation situation of Audit Committee

2) Review of financial reports

The Audit Committee have examined the company's operation report and motions of earnings distribution along with the Company's individual financial reports and the consolidated financial reports that were audited and signed by Accountants, Wang, Kuo-Hua and Wu, Chien-Chih, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2022, and found them in order.

3) Assessment on the effectiveness of the Company's internal control system

The Audit Committee assesses the effectiveness of the Company's internal control system related strategy and procedures (including finance, operation, risk management, information safety, law compliance, and related control manners), reviews regular reports issued by the Company's audit unit, certifying accountants, and management, and oversee the law and internal rule compliance of the operation of the Company's internal audits and other major operations.

While is referring to the internal control system framework, the "Internal Control - Integrated Framework", released by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, the Company has adopted necessary control mechanism to oversee and correct violating behaviors. The Audit Committee believes the Company's risk management system and internal control system should be effective.

4) The Company set up the Audit Committee on May 28th, 2020. The convener, CHANG Ling-ling, called 7 meetings in the year of 2021. Members participation status are listed below:

JOB TITLE	NAME	NUMBER OF ACTUAL	NUMBER OF	ACTUAL PARTICIPATION	REMARK
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		ATTENDANCE	ATTENDANCE BY DELEGATING OTHERS	RATE (%)	
Independent Director	Chang, Ling-Ling	6	0	100%	Convener
Independent Director	Chen, Yung-Chun	6	0	100%	
Independent Director	Chuo, Yung-Fu	6	0	100%	

Other matters required to be recorded:

1. Should the operation of audit committee have any of the following situation, matters including the date of the meeting, the period, content of the motion, independent director's objections, reservations, or major recommendations, the results of the Audit Committee's resolutions, and how the Company's reacts to audit committee's opinions should be recorded.

a) The matters set up in Article 14-5 of the Securities and Exchange Act.

Board Meeting	Contents of Proposal and the Subsequent Action	Matters set up in Article 14-5 of Securities and Exchange Act	Proposal not approved by the Audit Committee, but has resolved by more than 2/3 of directors
2022 1 st meeting 1/24/2022	Review and recognition of the operation of derivative commodities	✓	
	The discussion on the evaluation of accountant's independency and the appointment of certifying accountants	✓	
	The resolution result by the Audit Committee (Jan. 24, 2022): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: proposal approved by all the presenting directors.		
2022 2 nd meeting 3/09/2022	Discussion on the 2021 financial statements	✓	
	Discussion on the 2021 earnings distribution plan.	✓	
	Discussion on the amendments on partial articles in the Company's "Procedures of the Acquisition and Disposal of Assets".	✓	
	Discussion on the effectiveness of the 2021 internal control	✓	
	The resolution result by the Audit Committee (Mar. 09, 2022): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: approved by all the presenting directors.		
2022 3 rd meeting 5/06/2022	Review and recognition of the operation of derivative commodities	✓	
	Discussion on 2022 Q1 Consolidated report	✓	
	The resolution result by the Audit Committee (May 06, 2022): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: approved by all the presenting directors.		
2022 4 th meeting 8/5/2022	Review and recognition of the operation of derivative commodities	✓	
	Discussion on 2022 Q2 Consolidated report	✓	
	The resolution result by the Audit Committee (Aug. 5, 2022): Approved by all the members in the Audit Committee.		

	Reactions taken by the Company to cope with Audit Committee's opinions: approved by all the presenting directors.		
2022 5 th meeting 10/06/2022	Review and recognition of the operation of derivative commodities	✓	
	For meeting business expansion demand, the proposal to acquire a factory at Pingtung Technology Industrial Park Zone at the Export Processing Zone Administration Pingtung Region and at the same time set up a branch for operation	✓	
	The resolution result by the Audit Committee (Oct. 06, 2022): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: approved by all the presenting directors.		
2022 6 th meeting 11/04/2022	Discussion on 2022 Q3 Consolidated report	✓	
	Discussion on the 2023 audit plan	✓	
	The resolution result by the Audit Committee (Nov. 04, 2022): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: approved by all the presenting directors.		

b) In addition to aforementioned matters, any other matters that have not approved by the Audit Committee but are resolved by more than two-third of the board members: The Company does not have any of the above issues.

2. Implementation status of independent director's avoidance of any conflict of interest issues, name of the director, content of the proposal, reasons why the director should enter recusal, and the participation in resolution status should be illustrated, if any: None.

3. The communication situation among independent directors, internal audit team's superintendent, and certifying accountant (should include major communication issues in the light of the Company's financial and business situation, measures and the results, etc...)

a) The Company's internal audit team submits audit report and the tracking report for found defects and irregularities to each independent director each month. Moreover, the superintendent of the internal audit team will report to explain the on-going audit issues, audit results and the tracking status in the quarterly convened audit committee meeting, and will carry out thorough discussion and communication with the committee members in terms of the design and execution of internal control system, as well as other related suggestions.

b) The Company convenes Board of Directors Meeting each quarter and invites independent directors and auditing superintendent to attend the meeting. Superintendent of the audit team will present to report the internal audit operation status.

c) The certifying accountant also report to independent directors with respect to the Company's financial situation, domestic and foreign sub-companies' financial situation and overall operation status, and the audit on the Company's internal control at least once each year, and will also carry out thorough communication with regards to major adjusting entries or important legal amendments may affect accounting transactions.

d) Usually accountants and audit superintendent contact and communicate with independent

directors, while there is necessary. The communication is well-achieved.

e)Summary table of the communication between independent directors and the superintendent of the Internal Audit team:

Date	Character	Attendee	Communication Topics	Result
1/24/2022	Audit Committee	Independent Directors: Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu And Audit Supervisor	Report: (1) The execution of 2021 Q4 audit matters (2) The follow-up results on the 2021 Q3 audit findings	No opinion
			Communication of the assessment methods for the effectiveness of the internal control system: (1)Effective determination factors for 2021 internal control system (2)The planning and progress of 2021 Internal Control's self-assessment	No Objections Passed
3/09/2022	Audit Committee	Independent Directors: Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu And Audit Supervisor	Report: (1)The execution of audit works in January and February in 2022. (2)The tracking status of the 2021 Q4 audit findings	No opinion
			Discussion: (1) Assessment on the effectiveness of 2021 Internal Control (2)The submission of 2021 Internal Control Statement	No Objections Passed
5/06/2022	Audit Committee	Independent Directors: Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu And Audit Supervisor	Report: The execution of audit works in March 2021	No opinion
8/05/2022	Audit Committee	Independent Directors: Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu And Audit Supervisor	Report: (1)The execution of audit works in April to June in 2022 (2) The tracking status of the 2022 Q1 audit findings	No opinion

11/04/2022	Audit Committee	Independent Directors: Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu And Audit Supervisor	Report: The execution of audit works in July to September in 2022	No opinion
			Discussion: To submit the 2023 Audit Plan	No Objections Passed

f)Summary table of the communication between independent directors and the accountants:

Date	Character	Attendee	Content of Communication	Result
3/09/2022	Pre-meeting before the Board Meeting	Accountant Wang, Kuo-Hua	Report on 2021 Consolidated Financial Statements and Individual Financial Statements	No opinion
		& Independent Directors:	Important financial and operational matters	No opinion
		Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu	The update of current regulation changes	No opinion
10/31/2022	Pre-meeting before the Board Meeting	Accountant Wang, Kuo-Hua	Important financial and operational matters in 2021	No opinion
		& Independent Directors:	The communication with regards to annual audit plan's stages with governance units	No opinion
		Chang, Ling-Ling Chen, Yung-Chun Chuo, Yung-Fu	Audit Quality Indicators (AQI)	No opinion

3. The implementation of corporate governance and the divergence from the regulated Best-Practice Principles for TSE/TPEX Listed Companies and the reason for such divergences

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
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 set up its own "Rules for Corporate Governance Practices" in accordance with the "Corporate Governance Best Practice Principles for TWSE/GESM Listed Companies" and the rules have disclosed on the Company's website http://www.fuhsing.com.tw/exec/msg.php?mid=66&cid=44&pid=66&lg=T and the MOPS site.	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?	✓		A. The company has appointed spokesperson and acting spokesperson to deal with shareholders' suggestions and disputes, etc... and also set up a Stock Affair Section to deal with shareholder related issues.	No significant divergence
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?	✓		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. Whether the company establishes and implements rules for risk management with affiliated companies and builds the firewall mechanism?	✓		C. The company has already established related rules in the company's	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
D. Whether the company establishes internal regulations to prohibit insiders from utilizing un-disclosed information to purchase/sell securities?	✓		<p>internal control system according to laws and regulations.</p> <p>D. The company has set up “Work Procedures to Handle Significant and Important Information” and regularly propagated precautions of insider transactions.</p>	
<p>3. Composition and duties of Board of Directors</p> <p>A. Does the board of directors formulate diversity policies and related specific management objectives, and truly implement them?</p>	✓		<p>A.</p> <p>1. The company has made a plan for the diversification of board members, and the plan has been reported to and actually carried out in the Board of Directors’ Meeting. The nomination and election of the Company’s Board members all followed the rules stated on the Company’s Articles of Incorporation and took candidate’s educational and career background into consideration to ensure the diversity and independency of the Company’s Board members.</p> <p>2. The board members elected this term included</p> <ul style="list-style-type: none"> - a female member; - good at operation & management, leadership and decision-making, and industry knowledge: Lin, Jui-Chang, Chen, Chien-Kun, Chu, Jung-He, Lin, Tzu-Hsuan, and Lin, Wen-Hsing; - good at electronic technology, risk management, and vision on international market: Lin, Jui-Chang, Chu, Jung-He, Michael A. Hoer, and 	No significant divergence

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>Liu, Ju-Shan;</p> <p>- has made contribution to social care: Lin, Jui-Chang and Michael A. Hoer</p> <p>- good at financial accounting and other related affairs: 3 independent directors.</p> <p>3. The Company's Board of Directors currently is composed of 10 directors, including 7 general directors and 3 independent directors. The members have rich experiences and professions in finance and accounting, business, management and others. Among all the directors, 40% of the directors are company's employees, 30% of the directors are having the position as independent directors and 10% of directors are female. 3 independent directors have been served as independent directors for less than 9 years, 7 directors are in the age between 61-70 years old, and 3 are under 60 years old. The Company pays special attention on gender equity and has set the target to increase the female director to more than 10% of total number of directors. It is expected that in 2023 when the Company re-elects directors, the achievement of such goal will be maintained.</p> <p>4. Policies in relation to the diversity of the board members are disclosed on the Company's website.</p>	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<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, carries out the evaluations regularly each year, reports the evaluation results to the Board Meeting, and uses the results as references to evaluate each director's salary and remuneration, as well as his/her qualification as candidate to the successive post as directors?</p> <p>D. Whether the company periodically evaluates the independence of the company's certifying accountant?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</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 established Board of Director's performance evaluation rules and method. Each year, the Company carries out regular assessments on director's performance and reports the results to the Board Meeting and, at the same time, discloses on the Company's Website. The Company assesses each director's confidence in achieving the Company's goals and mission, as well as his/her participating level in the Company's operations each year and applies the assessing results to calculate each director's salary and remunerations, as well as his/her nomination qualification for director's post renewal.</p> <p>D.</p> <p>1. According to the Company's "Methods for evaluating the independence of the CPAs", after taking in the consideration of accounting office's audit quality indicators (AQI), the Company shall periodically evaluate the independence and competency of its certifying accountants (at least once per year).</p> <p>2. After carrying out the following evaluation procedures, the</p>	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>results have met the related regulations. The proposal of the appointment of certifying accountants has been submitted to the Audit Committee and approved by the board on March 8, 2023.</p> <p>(1) Obtain accountant's independence statement</p> <p>(2) Review years of continuing implementation as a certifying accountant in the company</p> <p>(3) Request certifying accountant to fill out a competency questionnaire. The questionnaire results are evaluated and summarized.</p> <p>✓ Whether the certifying accountant is a director of the Company or in its affiliated company?</p> <p>✓ Whether the certifying accountant is a shareholder of the Company or its affiliated company?</p> <p>✓ Whether the certifying accountant receives remunerations from the Company or its affiliated company?</p> <p>✓ Whether the certifying accountant confirms his accounting firm has complied with regulations associated to independency?</p>	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<ul style="list-style-type: none"> ✓ Whether the certifying accountant's accounting firm has joint certified accountant that serves as the Company's director, manager, or other posts that might have significant influence to the Company's audit practices within a year of his retirement from the accounting firm? ✓ Whether the certifying accountant has been providing audit services for the Company for continuous seven years? ✓ Whether the certifying accountant complies with the independency requirement stated in the No.10 of the "Norm of Professional Ethics of the Certified Public Accountant"? 	
4. Whether the Company establishes proper and enough corporate governance personnel(s) and appoint a supervisor to be responsible specifically for corporate governance related affairs (including but not limited to provide information required for directors/supervisors to execute business issues, to assist directors and supervisors in law-compliance issues, to handle Board Meeting and Shareholders' Meeting related affairs, to make meeting minutes of the Board of	✓		The Company has assigned appropriate numbers of CG related personnel, and have sought for approval in the Board Meeting to appoint CFO, LI Kuo-Wei, a qualified manager and has worked as a supervisor position in the Finance Dept. in a listed company for more than 3 years to serve as the Company's Governance supervisor to provide directors with necessary information for executing their duties, assist directors to be in compliance with the laws and regulations, and to handle Board of Directors meeting and Shareholders'	No significant divergence

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
Directors' Meeting and Shareholders' Meeting, etc...)?			<p>Meeting related affairs in accordance with laws and regulations.</p> <p>Issues executed by the governance superintendent in 2022 as below:</p> <p>A. Assisted independent directors and general directors to execute their duties, provided them with necessary information and arranged training sessions for directors:</p> <p>i. Notify board members related amendments and developments in light of the Company's operation area and corporate governance laws and regulations;</p> <p>ii. Review the confidential level of classified information and provide directors with necessary information in relation to the company to maintain a good and smooth communication between directors and all the Company's supervisors.</p> <p>iii. Assist independent directors to meet with internal supervisors and certifying CPAs on 1/24/2022, 3/9/2022, 5/6/2022, 8/5/2022, 10/31/2022, and 11/4/2022 respectively to understand the Company's financial situation.</p> <p>iv. Plan and arrange annual educational courses for general directors and independent directors based on the Company's industry characteristics and each director's education background and work experiences.</p>	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>B. Provided assistance in handling the procedures in the Board of Directors' Meeting and Shareholders' Meeting and evaluated resolution compliance issues:</p> <ul style="list-style-type: none"> i. Report the operation situation of the Company's corporate governance to board of directors, independent directors, audit committee and confirm whether the convention of Board of Directors' Meeting and Shareholders' Meeting meet related regulations and corporate governance rules. ii. Assist and remind directors to follow related regulations when is executing their duties or making official resolutions in the Board Meeting, and make suggestions on going-to-be law-violated resolutions in the Board Meeting. iii. Inspect and review the disclosure of important resolutions made in the Board Meeting and ensure the legality and accuracy of such material information disclosure's contents to make sure information equality for investor transactions. <p>C. Maintained the relationships with investors: when it is necessary, help arrange communication between directors and major shareholders, institutional investors, or general shareholders, so that investors are able to obtain sufficient information to evaluate the Company's reasonable market</p>	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>value and maintain shareholder's right.</p> <p>D. Plan the agenda in the Board Meeting and notify all directors at 7 days prior to the meeting; convene the meeting and provide meeting information; remind directors if any proposals may have conflict of interest concerns; complete meeting minutes within 20 days after the Board Meeting is convened.</p> <p>E. Complete all the pre-meeting disclosures in relation to Shareholders' Meeting, compile meeting notification in, handbook, and minute book within regulated time period, and handle the registration affairs in relation to the amendments of the Articles of Incorporation or Re-election of directors.</p> <p>Information regarding training sessions in 2022 as below:</p> <p>2022 Insider Trading Prevention Promotion Conference, Corporate Fraud Detection and Prevention Practice: Legal Responsibilities, Forensics and Big Data Analysis, Relative Legal Responsibilities and Case Analysis of "Contests for Corporate Control", that held by TWSE and the Accounting Research and Development Foundation and the Dept. of Accountancy and Graduate Institute of Finance, NCKU, for a total of 12 hours.</p>	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
5. Whether the Company establishes communication channels with interested parties (including but not limited to the Company's shareholders, employees, customers, and suppliers), and whether the company constructs a web site for interested parties on the company's website and properly answers all the important CSR related questions arising from interested parties?	✓		The company maintains good communications with its banks, creditors other than banks, employees, customers, and suppliers. Meanwhile, the company has built a web page (www.fuhsing.com.tw) for interested parties (in Chinese) under the section of Social Responsibility. We do respect all's legitimate rights and interests.	No significant divergence
6. 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
7. Information Disclosures				
A. Whether the company constructs a website and discloses information in relation to the company's financial and corporate governance?	✓		A. The company has a company website (www.fuhsing.com.tw). Under the Investor Relations section, one can inquire about the company's financial, annual reports and share prices. Under the Products section, pictures of our products are also exhibited.	No significant divergence
B. Whether the company adopts other methods to disclose the company's information (such as constructing English website, assigning a staff 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 specially assigned a staff to collect and disclose the company's information and truly carries out the spokesman system. The Company also held conferences with investors and disclosed the contents of such conferences at the Company's website (www.fuhsing.com.tw).	
C. Whether the Company discloses and files the year's financial		✓	C. Currently the Company files its financial reports and monthly operational	

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
statement with the authorities within two months of the end of accounting year, and whether the company early discloses and files its Q1, Q2 and Q3 financial reports and monthly operational results before the regulated deadline?			status with the authorities in accordance with "List of Matters Required to Be Handled by Issuers of Listed Securities". Because of holding various subsidiaries, the Company has not yet disclosed and reported its year-end financial statement within two months after the end of its accounting year, and had early disclosures before the regulated deadlines.	
8. 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...)	✓		<p>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.</p> <p>2、On the company's website (www.fuhsing.com.tw) , information about the company, corporate social responsibility, products and services, investor relationship, human resources, supplier platform are listed in separate sections. Also our contact information including emails, telephone number, and address can be found on the website.</p> <p>(1) The company has established an e-filing work system to provide investors and interested parties with information that might affect their decision.</p> <p>(2) The company's directors attend educational training from time to time.</p> <p>(3) Risk management policy and the implementation of risk measurement: Not applicable (this is for securities brokers).</p>	No significant divergence

List of <u>Assessments</u>	Implementation Status			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			(4) Consumer protection or the implementation of customer policy: Not applicable (this is for securities brokers). (5) The company has purchased liability insurances for directors.	
<p>9. Whether the Company provides explanations on the process of improvement on the corporate governance assessment result published by the TWSE Corporate Governance Center and provide prioritized issues and measures for areas that have not been improved? (Companies that are not included in the assessed companies do not fill in this section.)</p> <p>To explain the improvements in 2022 based on the result of the most current year's corporate governance assessments as below:</p> <p>Cooperating with the new indicator project released in 2022, except that the interim financial report is approved by the audit committee and submitted to the board of directors for discussion and resolution, and the performance evaluation of the functional committee is carried out every year, and the evaluation results are disclosed on the company website, Taiwan Fu Hsing also compiled the English Sustainability Report for the first time. version of the Sustainability Report. And yet, withholding the spirit of excellence pursuit, the Company invites relevant departments to convene meetings from time to time to continuously promote and optimize relevant indicators.</p> <p>In January 2023, the Company has conducted a self-assessment in accordance with the 9th Corporate Governance Assessment System established by the Corporate Governance Center of the Taiwan Stock Exchange, and will review and improve the assessment results accordingly afterwards.</p>				

4. The composition, duty, and operation of the company's Remuneration Committee

(1) Members of the Remuneration Committee

Identity (Note 1)	Name	Condition	Professional Qualification & Experiences (Note 2)	Status of Independence Qualification (Note 3)	Number of other public companies that the committee member concurrently serve as a member in its Remuneration Committee
Independent Director (Convener)	Chang, Ling-Ling		Please see page 19 - Information on Directors (4) for related information	Please see page 19 - Information on Directors (4) for related information	1
Independent Director	Chen, Yung-Chun		Please see page 19 - Information on Directors (4) for related information	Please see page 19 - Information on Directors (4) for related information	0
Independent Director	Chuo, Yung-Fu		Please see page 19 - Information on Directors (4) for related information	Please see page 19 - Information on Directors (4) for related information	0

Note 1: Please specify in the form the relevant working years as a member in any Remuneration Committee, professional qualifications and experience and independency status. If they are independent directors, please refer to Appendix 1 on page 17 for Information on Directors for related information. Please specify whether is an independent directors or others in the field of identity (please add a note, if the member is a convener).

Note 2: Professional Qualification and Experiences: State the professional qualifications and experience of every individual remuneration committee member.

Note 3: Status of Independence Qualification: State the independence qualification status of each remuneration committee member. The information should include but not limit to whether the committee member himself/herself, his/her spouse, any 2nd degree or closer relative serve as a director, supervisor, or employee in the Company or the Company's affiliated companies, whether the committee member himself/herself, his/her spouse, any 2nd degree or closer relative (or under other's name) holds the Company's shares, and if yes, please also state the shareholding status, whether the committee member himself/herself, his/her spouse, any 2nd degree or closer relative serve as a director, supervisor, or employee in any of the companies that have specific relationship with the Company (Please see Article 6-1, Terms 5~8, of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange), and the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the past two years.

(2) The Operation of the Remuneration Committee.

1. There are 3 committee members in the company's Remuneration Committee.

2. Current committee member's term of office: starting from Aug. 6, 2020 to May 27, 2023. In current fiscal year, 2 meetings were held (A).

The committee member's status and attendances were as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Chang, Ling-Ling	2	0	100%	-
Member	Chen, Yung-Chun	2	0	100%	-
Member	Chuo, Yung-Fu	2	0	100%	

Other matters that should be noted:

1. If the Board of Directors do 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).
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.

Date of the Meeting of Remuneration Committee/Term & Date (mm/dd/yyyy)	Proposals & Follow-ups	Resolution	How the Company cope with the opinion submitted by the Remuneration Committee
Term 4 /4 th Meeting (01/24/2022)	Regular review of "Taiwan Fu Hsing Industrial Co., Ltd. Manager's Remuneration Policy"	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors

		Regular review of “Manager’s Remunerations and Salary Adjustment Plan”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
		The review of “2021 Total Remunerations paid to employees, directors and supervisor”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
		The Review of “2021 Remunerations paid to manager and employees”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
	Term 4 / 5 th Meeting (11/04/2022)	Review of the proposal to adjust managers’ remunerations	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	

5. The implementation of sustainable development and the discrepancies between the regulated “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the cause of such discrepancies

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
<p>1. Whether the company develops and promotes a governance structure for promoting sustainable development, and sets up a unit that is exclusively (or concurrently) responsible for promoting sustainable development, and such unit should be in charged by high level management empowered by the Board of Directors and be supervised by the Board of Directors?</p> <p><u>(TWSE/TPEX listed companies should report the implementation status, not compliance or explanation.)</u></p>	✓		<p>The Company officially set up SER Promoting Committee (renamed as Sustainability Committee in 2022) in December 2013. The Committee was under the jurisdiction of the Board and was equipped with six functional teams that are respectively responsible for corporate governance, employee harmony, supply chain support, sustainable environment and safety, society integration, and green promotion. One execution administrator is appointed to lead the operation of aforementioned teams. Besides compiling the SER execution booklet and SER acknowledgement, the Committee periodically convenes meetings (in every 4 months), and is responsible for making, promoting, auditing, reviewing, and improving the Company’s sustainable development related policies. In addition, the Committee also releases the Company’s Sustainability Report (originally was called the CSR report) every year, which is disclosed on the Company’s website for lookup and download by all interested parties in order to ensure the effects of the implementation of CSR policies.</p> <p>The promotion and execution results of the related polices are resolved in the Board Meeting. Each year, the Committee reports the achievement of</p>	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<p>sustainability development and its future strategy to the Board at least once per year.</p> <p>In 2022, the execution results and plan have been reported to the Board on November 4th with the motions including 1) summary of the Sustainability Committee meeting in 2022; 2) the ESG promotion focus in 2022, and 3) 2022 work report by the Risk Management Team, and 4) Report of 2022 the Risk of Information Securities.</p> <p>The board of directors listened to the report of the Sustainability Committee at the meeting, and at the same time reviewed the progress of the plan according to the management policy, and gave directions for improvement.</p>	
<p>2. Whether the Company carries out risk assessments in relation to topics including operational related environment, society, and corporate governance, and establishes related risk management policies or strategies based on the principle of materiality? (Note2)</p> <p><u>(TWSE/TPEX listed companies should report the implementation status, not compliance or explanation.)</u></p>	✓		<p>This disclosure covers the sustainable development performance of the company's main bases from January to December 2022, and the risk assessment boundary is mainly based on the company's operations.</p> <p>Referring to AA1000SES (AA1000 Stakeholder Engagement Standards), every year the Sustainability Committee regularly collects topics that might be of stakeholders' interests through various communication channels such as periodicals review, business meeting and voices from shareholders' meetings, and, meanwhile, assesses the degree of impacts that may be caused by these factors in order to define the Company's material topics and goals. Hence, the Company is able to implement an all-aspects risk assessment in relation</p>	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<p>to its production, human resources, and R&D directions, and further make according managerial policies.</p> <p>Every year based on the assessed risks, the Company would make the related risk management policies or strategy, and provide explanations in the Sustainable Report and on the Company's official website.</p> <ul style="list-style-type: none"> ● Sustainable Report download: https://www.fuhsing.com.tw/work-report ● Taiwan Fu Hsing Website (the CSR→Sustainable Operation→Risk Management): https://www.fuhsing.com.tw/operate 	
<p>3. Environment Related Topics</p> <p>(1) Whether the Company establishes a proper environment management system based on the industry characteristics?</p>	✓		<p>The Company elaborated its environmental facet risk control measures based on ISO 14001:2015 environmental management systems to establish goals for improvements and the related management plans for continuous improvement. Besides, the Company also carries out GHG inventory investigation and disclose the data in the Sustainability Report and the Company's official website (https://www.fuhsing.com.tw/) . ISO 14001:2015, Date of Effectiveness: from Nov. 08, 2021 to Nov. 08, 2024.</p>	No significant divergence
<p>(2) Whether the Company devotes to enhancing energy utilization efficiency and adopts the use of recyclable materials that have lower impact to the environment? (Environmental Safety and Hygiene,</p>	✓		<p>The company actively promotes various energy reduction measures, reduces the energy consumption of enterprises and products, and optimizes the efficiency of energy use. The total electricity consumption in 2022 was</p>	No significant divergence

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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
Procurement)			<p>46,464,480 MJ. The overall electricity consumption was decrease 18%, while the unit electricity consumption slightly increased 0.4%. The total amount of recycled water was 2,932 tons, increased 8% compared with 2,702 tons in the base year of 2019. In the future, we will continue to promote the development and improvement of water-saving measures and the use of recyclable water during the production process.</p> <p>In the area of energy saving, in 2022 with energy-saving solution to “ replace the lighting apparatus with LED/LVD lightings in the production areas”, the power consumption saved 1.05%.</p> <p>In terms of green manufacturing, following regulations and standards, the substrates and electronic components used in the Company’s products all comply with EU RoHs standards. At the same time, the Company actively improves the production process to reduce environmentally harmful substances, and in response to the international and government environmental protection pursuits in "promoting plastic reduction, let the earth breathe", we also strive to improve the packaging design. The packaging material is changed from the original PVC material to PET or pulp year by year in order to reduce the impact on the environment.</p> <p>The first phase of the project have been completed in 2022, and it is expected that about 78% of the Company’s related products will be carried</p>	

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>	
			out the change in 2023.	
(3) Whether the Company assesses current and future's implicit risks and opportunities in relation to climate changes, and adopts relevant countermeasures?	✓		Through the AEO team, Sustainability Committee, and other managerial units, the Company regularly conducts hazard identification and risk assessment. The results will be reviewed and reacted with responses one by one during daily operations by the departments under each business group, and brought up for report and discussion during the Company's monthly operation meeting. In case of major incidents, such will be submitted to the board of directors and the highest decision-making unit for discussion. After evaluation and identification by relevant internal units, the Company has focused on the two aspects, "carbon emission management" and "water resources management", in relation to the issue of climate change in 2022, and has taken corresponding measures. For relevant information, please refer to our website under the chapter "Corporate Social Responsibility/ Sustainable Operation/ Risk Management". (https://www.fuhsing.com.tw/operate).	No significant divergence
(4) Whether the Company compiles information regarding statistics in relation to the past 2 years' green gas emission, total water used, and total wastage, and establishes policies to reduce greenhouse gas emission, water use, and other similar kinds of wastes?	✓		[The Management of GHG] The company realizes its commitment to sustainable development of the environment, referring to the requirements of ISO14601-1 and the GHG Protocol, and in accordance with the Environmental Protection Administration's Greenhouse Gas Inventory and Management Principles. The	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and															
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence															
			<p>scope of the investigation includes direct emissions (Scope 1) and indirect energy emissions (Scope 2), and other indirect greenhouse gas emissions (Scope 3). The above investigation results are expected to be completed in July 2023, and being verified by a 3rd party in August 2023 and then will be published in the Company's Sustainability Report and official website.</p> <p><u>The GHG Emission in the past 2 years:</u></p> <p>(Note: the inventory data covers only Taiwan Fu Hsing’s factory site and does not include its subsidiaries.)</p> <p style="text-align: right;">Unit: tons CO2e</p> <table><tr><td></td><td>2020</td><td>2021</td></tr><tr><td>Scope 1</td><td>348.58</td><td>454.1588</td></tr><tr><td>Scope 2</td><td>7131.29</td><td>7742.2972</td></tr><tr><td>Scope 3</td><td>Not included yet</td><td>11,806.5610</td></tr><tr><td>Emission per product unit (kgCO₂e/m²)</td><td>0.0002267</td><td>0.0005972</td></tr></table> <p>The 2022 statistics is expected to be publicized in the Sustainability Report and the Company’s official website after being verified by a 3rd party.</p> <p>In order to comply with the international trend of carbon emission reduction, the Company will continue to control air pollutant emissions and to comply</p>		2020	2021	Scope 1	348.58	454.1588	Scope 2	7131.29	7742.2972	Scope 3	Not included yet	11,806.5610	Emission per product unit (kgCO ₂ e/m ²)	0.0002267	0.0005972	
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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence									
			<p>with regulatory requirements to implement environmental management, and strengthen the environmental protection awareness of all employees to fully implement the commitment to sustainability.</p> <p>[The Management of Water Consumption]</p> <p>The company has been paying attention to water conservation for a long time, starting from the thorough implementation of water conservation in daily life to invest in the execution of improvement measures, such as to reduce the frequency of water changes in the manufacturing process.</p> <p>Meanwhile, we also devote to the use of recycled water resources; measures include to recycle cleaning water during the manufacturing process, recycle and use the RO water dispensers waste water, etc...</p> <p><u>The water consumption data in the past 2 years:</u></p> <p>(Note: the data covers only Taiwan Fu Hsing’s factory site and does not include its subsidiaries.)</p> <p style="text-align: right;">Unit: Liter</p> <table><tr><th>Year</th><th>Total water Consumption</th><th>Water Use per Unit Product (Liter/PCS)</th></tr><tr><td>2021</td><td>50,744,000</td><td>1.51</td></tr><tr><td>2022</td><td>52,262,000</td><td>1.85</td></tr></table>	Year	Total water Consumption	Water Use per Unit Product (Liter/PCS)	2021	50,744,000	1.51	2022	52,262,000	1.85	
Year	Total water Consumption	Water Use per Unit Product (Liter/PCS)											
2021	50,744,000	1.51											
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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence									
			<p>In 2022, the total reclaimed water volume of the whole plant was 2,932 metric tons, an increase of 8% compared with the base year of 2019 (2,702 metric tons). The goal was successfully met.</p> <p>[Waste Management]</p> <p>The company takes " reduction from the source and the recycle of resources " as the main direction of waste management. We promote recycling and reuse through source management to reduce the harm to the environment, as well as to reduce the cost of waste disposal. In 2022, the Company have obtained the ISO14001 environmental management system verification.</p> <p><u>The waste production in the past 2 years:</u></p> <p>(Note: the data covers only Taiwan Fu Hsing’s factory site and does not include its subsidiaries.)</p> <p style="text-align: right;">Unit: Metric Tons</p> <table><tr><th>Year</th><th>General business waste</th><th>Hazardous waste</th></tr><tr><td>2021</td><td>70.09</td><td>12.47</td></tr><tr><td>2022</td><td>97.23</td><td>9.62</td></tr></table> <p>The Company's total waste output in 2022 was 106.85 metric tons, far below the 1,000 tons permitted for environmental protection purpose. We have entrusted legitimate factories to dispose 100% of the waste in the entire plant.</p>	Year	General business waste	Hazardous waste	2021	70.09	12.47	2022	97.23	9.62	
Year	General business waste	Hazardous waste											
2021	70.09	12.47											
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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence				
4. Social Issues (1) Whether the Company makes related management policy and procedures according to related laws and International Bill of Human Rights?	✓		<p>For fulfilling the responsibility in human right protection, the Company has followed the spirit of human right protection and basic principles in accordance with various international conventions including the “Declaration of Fundamental Principles and Rights at Work” by the International Labour Organization, UN’s “Universal Declaration of Human Rights”, and UN Global Compact, and commits to abide by labor laws and regulations with the expectation to fully protect the legitimate rights and interests of employees</p> <p>The company's human rights management policies and specific plans are summarized as follows:</p> <table><tr><td>Human Right Management Policy</td><td>Specific Plans</td></tr><tr><td>Provide a safe workplace environment</td><td><ul style="list-style-type: none">•Regularly monitors labor work environment, carries out safety and health inspections, and truly implements improvements.• Employ factory doctor and factory nurse to provide consultation services• Set up AED and First-Aid kits• Implement SER and labor safety related educational training• Formulate epidemic prevention notification and management related operation standards according to the</td></tr></table>	Human Right Management Policy	Specific Plans	Provide a safe workplace environment	<ul style="list-style-type: none">•Regularly monitors labor work environment, carries out safety and health inspections, and truly implements improvements.• Employ factory doctor and factory nurse to provide consultation services• Set up AED and First-Aid kits• Implement SER and labor safety related educational training• Formulate epidemic prevention notification and management related operation standards according to the	No significant divergence
Human Right Management Policy	Specific Plans							
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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
				government's epidemic prevention management measures
			Eliminate unlawful discrimination and ensure equal job opportunities	<ul style="list-style-type: none"> • Ensure equal job opportunities in accordance with the Personal Data Protection Act and the Act of Gender Equity in Employment. • The RBA policy is implemented for foreign employees, and the company bears the expenses arising from cross-border work, so as to achieve equal treatment without differences in nationality. • Employ specific personnel serving as translators to appropriately reflect the needs of foreign employees and ensure that there is no gap in communication with the company • Provide internship opportunities also for foreign students, and set up mechanisms such as Line group and regular on-site visits to optimize channels of learning and communication
			Prohibit workplace sexual harassment	<ul style="list-style-type: none"> • Follow the Sexual Harassment Prevention Act and the Act of Gender Equity in Employment to create a fair workplace that is safe for both all • Set up a sexual harassment complaint

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			window/independent review mechanism	
			Prohibit forced labor <ul style="list-style-type: none"> • Set a cap for working hour in accordance with the Labor Standards Act, and take the initiative to care about the emotions and workload of colleagues • Utilize attendance management system and record employees' working hours to prevent excessive overtime working • Well plan work shift mechanism following the regulations and the need in manufacturing process to reduce overtime working situation 	
			Improve employees' physical and mental development and enhance work-life balance <ul style="list-style-type: none"> • Organize diverse leisure activities, such as company trip, large-scale sports competitions, art appreciation, etc... to help achieve work-life balance • Conduct health promotion related activities, such as annual health inspection, health-talk seminars, etc... • Encourage employees to form sports clubs and provide subsidies 	
			In 2022, the Company implemented human rights protection-related education and training for colleagues, with a total of 1,312 hours and a total of 1,282 colleagues (1,282 people) completing the training, and the participation rate was 100%. Looking forward to the future, the company will	

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			continue to respond to the international human rights trends, pay attention to the content of the initiatives of the United Nations and other organizations on human rights issues, continue to educate colleagues on the awareness of human rights protection, and reduce the risk of harm.	
(2) Whether the Company makes and implements reasonable employee benefit manners (including salary, vacation and other benefits), and properly reflects the Company's operation performance or achievements on remunerations paid to employees? (To be provided after the compilation of human resources information)	✓		<p>[Overall Remuneration Policy]</p> <p>Salary of the Company's employees depends on their educational background, past experience and professional ability. After taking office, the salary will be adjusted according to their work performance. Salary and labor conditions are guaranteed to be in full compliance with labor laws and international human rights conventions, and the salary level is increased according to market standards and business results. In the past three years (from 2020-2022), the average salary increase rate has reached 4%. Although the company is a labor-intensive industry with a large proportion of grass-roots manpower, according to the annual report of full-time employees, the average salary of grass-roots manpower has exceeded the government's target of 30K per month.</p> <p>[The Link to Business Performance]</p> <p>According to Article 26-1 of the Company's Articles of Incorporation, the Company should distribute no less than five percent of the Company's earning of the current year to employees as remunerations. The overall</p>	No significant divergence

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			<p>employee salary includes base wage and over-time pay, and based on the Company's operational performance and employee's personal performance the employee will be also provided with year-end bonuses, holiday bonuses, and employee bonus</p> <p>[Work Place Diversification And Equity]</p> <p>The Company attaches great importance to gender equality, and men and women have equal pay for equal work and equal promotion opportunities. In 2022, the proportion of male and female workers in the Company was 47% and 53%, nearly 1:1, and 31% of the executives were women. In the industry of metal machinery manufacturing, Taiwan Fu Hsing can be regarded having a fairly gender-equal working environment.</p> <p>In terms of nationality background, 16% of the Company's employees are from the Philippines, Vietnam, Indonesia and Thailand, and all migrant workers are treated equally; and as mentioned above, the Company has implemented the RBA policy for foreign migrant workers since 2020, and the Company paid for the expenses derived from working in Taiwan, and provide employment conditions without differences in nationality.</p> <p>[Vacation]</p> <p>On the basis of two days off on weekends, the company provides paid leave according to laws and regulations, and employee is given flexibility in taking</p>	

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			<p>the paid leave (the smallest paid leave unit is "minute"), so that colleagues can make optimal use of the paid leave hours. In case of the need of childcare, serious injury or illness, etc., employees can also apply for leave without pay (unpaid leave), so that employees can take into account the needs of personal and family care. In addition, according to the principle of gender equality, the Company encourages men to share for family responsibility, and so the maternity leave, maternity inspection leave, paternity leave, and family care leave are provided, regardless of gender.</p> <p>[Other Benefits]</p> <p>In order to effectively integrate the company's resources, the company, together with the existing HR staffs and the employee welfare committee formed by the employees, actively formulates various welfare policies and subsidies for employees. A summary of the relevant benefits is as follows:</p> <p><u>WOHAE</u> (work-style of health and enjoyment)</p> <p>1. Diverse Activities: year-end meal, various festival activities, art appreciation, or occasional activities arranged for different seasons to create some happiness in hand during work.</p> <p>2. Various subsidies: subsidies for birthday, major festivals, on-job training, wedding and funeral, etc..</p> <p>3. Staff Lounge: staff lounge is provided for employee to rest and recharge.</p>	

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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<p><u>Healthy and Happy</u></p> <p>1. Health management and promotion: Check the health of employees through health check management, and arrange health promotion activities, such as lectures, physical fitness testing, weight loss classes, smoking cessation classes, etc.</p> <p>2. Medical rescue and services: According to the Occupational Safety and Health Act, the Company employs 2 occupational health nurses, and hire a factory doctor to station in the factory to provide services. In 2022, there were a total of 154 colleagues received medical consulting services from factory doctor.</p> <p>3. Employee support program: employ professional financial, legal and medical personnel to assist employees in dealing with health, psychological or family problems.</p> <p>4. Improve sports facilities and subsidies: indoor fitness centers and outdoor multi-purpose sports venues; and encourage employees to set up sports clubs and provide sports incentives and subsidies.</p> <p><u>FOHAE</u> (Family-style of health and enjoyment)</p> <p>1. Maternity protection plan: There is a maternity protection plan guide book to ensure the physical and mental health of pregnant, postpartum, and breastfeeding female colleagues, and to achieve the purpose of maternal</p>	

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			<p>health protection. In 2022, 15 colleagues received the support of maternity protection plan.</p> <p>2. Mother-infant friendly measures: set up breastfeeding rooms, special parking spaces for mothers and children, encourage employees to make good use of parental leave and other mother-infant friendly measures. In 2022, 16 colleagues applied for parental leave and 21 colleagues applied for special parking spaces reserved for mother and children.</p> <p>3. Child care subsidy: \$3,000 is given per year for employee's sons and daughters that are between the age of 3-12 years old (includes kindergarten and elementary school) as after-school child care subsidy. In 2022, 121 colleagues applied for the subsidy with a total of 525,475 dollars grant, benefiting 176 children.</p> <p>4. Company tour and family day: regularly organize company tour, family day and other fun activities for employees and families</p> <p>5. Work-study for children of workers: Provide summer work-study opportunities for employees' children, so that they are not only able to earn tuition fees, but also to accumulate work experience.</p> <p>6. Special store discounts: Sign contracts with high-quality stores in the neighborhood of Gangshan to provide employees with relevant preferential discounts, meanwhile, employees are able to enjoy employee discount while</p>	

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			<p>purchasing locks.</p> <p>The Company provides a variety of comprehensive welfare measures that are superior to laws and regulations, and has won the Welfare and Enterprise Gold Award from Labor Affairs Bureau of Kaohsiung City for several times.</p>	
(3) Whether the Company provides a safe and healthy work environment to employees, and regularly holds employee's' safety and health education training?	✓		<p>The company has set up a unit that is exclusively responsible for the management of occupational 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 training on labor safety and health in order to ensure providing a safe and healthy environment and a continuous improvement mechanism.</p> <p>In 2022 there was no incidents that caused permanent injury or repercussions to any personnel. In the whole year, there were 5 work-related accidents involving 6 people, accounting for 0.5% of the total number of employees at the end of 2022. Facility safety has been strengthened for workplaces where incapacitation injuries have occurred, and personnel risk identification capabilities have been improved. Accident drills have been carried out regularly, and mechanical safety protection audits have been carried out from time to time. At the same time, it is expected to conduct traffic safety training for employees in 2023, strengthen traffic safety publicity</p>	No significant divergence

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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence												
			<p>to improve the driving safety of colleagues and avoid similar incidents from happening again.</p> <p>The statistics of work accidents in 2022:</p> <table><tr><td></td><td>Workplace accidents</td><td>Traffic accidents</td></tr><tr><td>No. of accidents (person)</td><td>5 (6)</td><td>15</td></tr><tr><td>Lost Work Hour</td><td>500</td><td>1,172</td></tr><tr><td>percentage of the total number of employees</td><td>0.5%</td><td>1.2%</td></tr></table> <p>The related projects carried out in 2022:</p> <p>1. Monitor on labor’s work environment: Environmental monitoring is implemented every six months, and the monitoring data is published on the employee bulletin board, so that employees can understand the environment at any time.</p> <p>2. Inspection system on employee’s safety and health: Safety and health inspections are carried out quarterly. Deficiency, if found, will be immediately sent to the relevant and responsible unit, which is requested for improvement response, and, meanwhile, will be presented in the meeting of Occupational Safety and Health Committee together with all other</p>		Workplace accidents	Traffic accidents	No. of accidents (person)	5 (6)	15	Lost Work Hour	500	1,172	percentage of the total number of employees	0.5%	1.2%	
	Workplace accidents	Traffic accidents														
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			<p>deficiencies of the responsible unit during the year for vigilance and continuous implementation on improvements. There were 87 deficiencies in 2022, and all have been improved</p> <p>3. Project improvement: Promote "pneumatic lifting platform warning sound" and "warning signal of stacker" to reduce the risk of the Company's work-related injuries. After the implementation, there were no such work related accidents.</p> <p>4. Employee physical examination and special physical examination: health examination area is divide into general exam area and special medical examinations. The exam results are managed at different levels. For special physical examinations, employees in workplaces designated for special hazards to health are tested annually, and the results are managed by plant nurses at different levels. In 2022, there were 196 employees accepted physical examination, 231 for special physical examination, and the completion rate was 100%.</p> <p>In addition, the company regularly conducts annual education and training for new employees, as well as holds advanced education and training in accordance with the Occupational Safety and Health Act.</p> <p>A total of 18 training courses were held in 2022, with a completion rate of 100%. The sessions are as follows:</p>	

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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>			Reasons of the Divergence	
				Month	Course Name	Number of participants	
				1-12	Traffic Safety Training (13 sessions)	565	
				6	Self-defense fire group education and training	40	
				8	General education training on Hazard	120	
				11	Self-defense fire group education and training	40	
					On-the-job education and training (including human factors engineering promotion)	1,159	
(4) Does the company establish an effective career development training program for employees? (To be provided after the compilation of HR information)	✓		The company has built a comprehensive and diverse training system for employees, including new staff training, on-the-job training, coaching practice, rotation system, and multi-topic lectures. It is hoped that through rich and diverse learning channels and appropriate career development plans, all colleagues will have the opportunity to work freely in the Company and grow together with the Company. Currently, all the Company's first level heads were promoted from the first-line grassroots personnel, showing that the career development channel is smooth. In 2022, the Company has also launched a talent prepare and			No significant divergence	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
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			<p>training course, with the goal of cultivating grassroots cadres in production and manufacturing. Training is carried out through company visits, counseling, and improvements on practical works. A total of 12 employees participated in the course, and the total training time was 525 hours.</p> <p>At the same time, through interviews with new employees and performance interviews, supervisors give feedback to employees, discuss with employees and set personal annual development goals (IDP), and assist in tailor-made internal career development plans. In 2022, the planning rate of IDP was 100%.</p> <p>While external environment changes rapidly, in 2022 the Company adopted even more flexible measures for career training to fast response to actual needs, the measures include:</p> <p>1. Regular education and training: New staff training, on-the-job and general education, etc., during the first half of the year while there were still epidemic concerns, were handled internally by "multi-groups" and "micro-course", using small classes to confirm the learning effects and promote the discussion among instructors and students. External training was arranged according to the training unit. In 2022, there was a total of 1,863 people completed training, and the total number of training hours was 7,327.8 hours; the average training hours per person was 3.9 hours.</p>	

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	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<p>2. Training for the executive class:</p> <p>2.1 Utilized the manner of book club to study together, combined with digital technology to extend learning enthusiasm and communication, it was no longer just a single point of learning. A total of 83 people completed the learning in 2022, with a participation rate of 100% and an overall satisfaction score of 4.7 (out of 5).</p> <p>2.2 In response to organizational observations, the annual plan was quickly adjusted and the course of "To identify employee problems and the handle skills" was introduced. A total of 54 people completed the courses in 2 sessions, with a participation rate of 100% and an overall satisfaction score of 9.7 (out of 10).</p>	
(5) In the light of issues including customer's safety and health in relation to the Company's products and services, customer's privacy, marketing, and labeling, whether the Company follows relevant laws and international standards, and formulate relevant policies and complaint procedures for the protection of consumer or customer rights and interests?	✓		<p>The company attaches great importance to the health and safety of our products to consumers. When developing products, regardless of the selection of raw materials, surface treatment processing methods and product packaging materials, all comply with the laws and regulations of the country where they are sold, and have passed the requirements of a number of international product testing and certification. A brief description is as follows. For further information, please refer to the Company's Sustainability Report.</p> <p><u>Taiwan</u></p>	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<ul style="list-style-type: none"> ● Comply with CNS3928 certification 20/40 grade product specification, and have obtained the orthographic mark from the Bureau of Standards, Meteorology and Inspection, M.O.E.A. ● Electronic products all have passed the NCC Standards. <u>Europe</u> <ul style="list-style-type: none"> ● Comply with the safety standards (EN) of CE certification, and also obtain different test certifications for the sales needs of different regions in Europe, and regularly maintain the certification qualifications. ● All electronic products have passed the RoHs regulations. <u>North America</u> <ul style="list-style-type: none"> ● Equipped with a testing laboratory that complies with BHMA/ANSI certification capabilities, to confirm the installation and use in transportation and different environments meet the requirements of the specification. ● Commercial G2/G1 grade products pass the tests and have obtained BHMA LISTIG ● Electronic products are certified by US FCC and Canada IC certification and are confirmed the compliance in electromagnetic interference and radio frequency 	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<ul style="list-style-type: none"> Products with high safety standards are also matched with the application for UL fire protection standard certification, and products are designed to conform to fire protection regulations in different regions, such as Australia AS1428 or U.S. California;s fire protection requirements for door locks. The newly developed G2 commercial horizontal lock meets the barrier-free design standards of the ADA (Disabled Persons Act). <p>In terms of customer privacy, the company has obtained the AEO enterprise certification since 2011, and strictly controls the security of business partners, information technology security, cargo security and other matters, and obtains the certification on a regular basis. At the same time, we continue to sign confidentiality contracts with new suppliers to help secure customer's information. In 2022, there was verified 0 confirmed incidents of information leakage, theft or loss of customer data.</p> <p>For the rights and interests of customers, the company conducts customer satisfaction surveys every year, and provides after-sales service and multiple customer service channels for products, such as e-mail, telephone, fan page, etc., to accept and handle customer complaints. In 2022, the number of complaints from the outside and being confirmed by the organization was zero.</p>	

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>	
(6) Whether the company formulates a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	✓		<p>Through the close cooperation of procurement, technology and quality assurance departments, the Company conducts supplier inspection and improvement through new supplier evaluation, supplier evaluation, social and environmental responsibility evaluation system, AEO on-site audit and counseling and other channels., and share information on important topics such as safety, corporate social environment and responsibility, and hopes to jointly build a more competitive, safe and reliable supply chain with suppliers.</p> <p><u>Supplier audit</u></p> <p>In order to extend corporate social and environmental responsibilities to the supply chain, the Company has proactively initiated an evaluation system to classify suppliers into low, medium and high risk groups. According to the "Vendor Social and Environmental Responsibility Evaluation Form", the Company conducts ethical and moral evaluations in factories. , labor, occupational safety and health, environment and other on-site inspections. In 2022, a total of 8 supplier social and environmental audits were carried out, and the assessment results all met the required standards.</p> <p><u>New Supplier Evaluation</u></p> <p>All new suppliers are required to sign the "Social and Environmental Responsibility Statement". In 2022, 100% of new suppliers were screened</p>	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<p>using the labor practice standards, and all of them passed the evaluation and signed the "Social and Environmental Responsibility Statement".</p> <p><u>Supplier Counselling</u></p> <p>In addition to conducting audits and evaluations, the Company has provided substantial assistance and guidance to suppliers to improve and pursue progress. We provide tailor-made "Supplier Improvement Projects" for manufacturers with low ratings, and convene management, quality assurance, technical and other related personnel to discuss and improve issues such as delivery time, quality, and technology according to the different conditions of each company. In 2022, supplier's audit results were all in line with the standards, so no counseling project was arranged.</p>	
5. Whether the Company compiles Sustainability Report or other non-financial related reports according to the international reporting standards or guidelines? Whether the aforementioned reports have obtained verification or assurance opinion from any third-party verification units?	✓		<p>Haven't been mandatory requested by the FSC and yet the Company has voluntarily publicized Sustainability Report starting from 2014 due to self-discipline and the goal of sustainable operation. The Sustainability Report is complied according to the GRI Standards to meet the principles and structures. In 2021, we further integrated in the SASB (Sustainability Accounting Standards Board) standards. The 2014 report has been verified by SGS and AA100-, and for the later years, the reports were updated on the Company's official website under the "CSR" section for the use by all stakeholders.</p>	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>	
6. If the company follows “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” to establish the Company’s rules specifically for sustainable development, then the Company should also state the implementation status and the divergence between the real practices and the rules: There was no divergence between the real practices and the rules.				
7. Other important information that might help to understand the operation of the sustainable development practices: The company attaches great importance to corporate sustainability, and is committed to promoting various ESG projects to drive the integration and mutual benefit of enterprises and the community. The following external affirmations have been obtained in 2022: <ul style="list-style-type: none">• Received the Silver Medal in the group of Local Enterprise in the 1st Diversity for Better Tomorrow Award.• Certified as Accredited Healthy Workplace by the Health Promotion Administration (being accredited every year since 2014)• Received Taiwan iSport badge from Sports Administration (received the honor every year since 2016)• Obtained the Special Award of the 6th PwC’s Sustainability Impact Award. For the related execution results, please go to Taiwan Fu Hsing’s website. ((https://www.fuhsing.com.tw/news)				

6. The implementation of ethical operation and the divergence and cause of divergence between real practices and the regulated Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

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>1. Ethical Management Policy Establishment and Plan</p> <p>(1) Whether the company establishes Board approved ethical management policies and explicitly states, in the Company's Articles of Incorporation and other external correspondences, the Company's policy and method toward ethical management, as well as the promise made by the Board of Directors and the Company's management to carry out such ethical management policies actively and honestly?</p> <p>(2) Whether the Company establishes risk assessment mechanism for unethical behaviors to regularly analyze and assess higher unethical behavior related operation activities within the Company's business scope and set up prevention manners to prevent unethical behaviors that at least includes all the behaviors mentioned in Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p>	✓		<p>(1) 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. If it is notified of dishonest behavior, such will be reported to the board of directors as a special project with regard to the handling method and follow-up review and improvement measures.</p> <p>(2) The Company has established "Guidance for Ethical Operation Procedures and Behaviors" and "Internal Whistle Blower Guidelines" in the light of 7 behaviors mentioned in Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". The guidance and guidelines were separated upon its functions by the legal department to internal audit, intelligent right, marketing, and other related departments to carry out internal audit and make ethical behavior agreements. It is hoped such control</p>	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>	
(3) 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, and whether the Company regularly examines and modify the aforementioned stipulations?	✓		<p>manners are able to prevent the occurrence of such unethical behaviors and lower the risk brought by ethical behaviors.</p> <p>(3) The Company has established “Guidance for Ethical Operation Procedures and Behaviors” and “Internal Whistle Blower Guidelines” to ensure the implementation of ethical operations. The Company establishes effective accounting system and internal audit systems, and the internal audit personnel regularly reviews and examines the compliance of the aforementioned systems .</p>	
<p>2. Ethical Operation Implementation</p> <p>A. Whether the company assesses corresponding parties’ past credit histories and explicitly sets up ethical behavior clause in any of the contracts signed with the corresponding parties?</p> <p>B. Whether the Company establishes a unit that is exclusively responsible for promoting corporate ethical operation and reporting its ethical operation policies, manners used to prevent unethical conducts and the inspection on the execution status to Board of Directors regularly (at least once a year)?</p>	<p>✓</p> <p>✓</p>		<p>A. The company has continually set up ethical behavior clauses in business contracts with corresponding parties.</p> <p>B. Article 5 of the “Guidance for Ethical Operation Procedures and Behaviors” sets up the standard for the dedicated unit: The Company shall appoint its legal unit to handle the related works and supervision of the execution in relation to this Guidance.</p> <p>The dedicated unit shall report regularly to the Board of Directors in relation to its ethical operation policies and manners used to prevent</p>	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>	
C. Whether the company establishes conflicts of interest prevention policy, provides proper declaration channels, and truly carries out the policy?	✓		unethical conducts, as well as the supervision of the monitoring status. 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. Meanwhile, the Company also states the whistle blower communication channels in Clause 4 of the “Internal Whistle Blower Guidelines”.	
D. Whether the Company has already established effective accounting system and internal control system to implement ethical operations, and empowers internal audit unit to establish according audit plans based on the assessment results in relation to the risks of unethical conducts, and to verify the compliance status of the plans to prevent unethical conducts according to the audit plans or entrust accountants to execute such verification?	✓		D. The company has established effective accounting system and internal control system to ensure the implementation of ethical operations. The internal audit unit also periodically verifies the compliance state to follow the aforementioned systems and report in writing regularly to the Board of Directors. In addition, all the departments every year are requested to self-inspect their own internal control systems to ensure the effectiveness of such system’s design and execution.	
E. Whether the company regularly holds internal or external education training in the light of ethical operations?	✓		E. The Company handles the promotion and training in relation to ethical operation related issues as regulated principles to strengthen the concepts of honesty operation and morality. While was involving in any business activities, the Company explains the Company’s polices and rules in relation to ethical operation. While was singing contract with	

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>others, the Company also brought into the concept of ethical operations into contract terms.</p> <p><u>Internal training</u></p> <p>(1) The “SER Annual Re-training Session” / Date of training: 11/25/2022-12/07/2022. Number of employees received training: 1,222 persons. Training hour: 1 hour.</p> <p>(2) “Superintendents’ SER annual retraining session” / Date of Training: 11/29/2022. Total number of superintendents received training: 60 persons. Training hour: 1.5 hours.</p> <p>(3) “Authorized Economic Operator’s (AEO) Supply Chain Safety Annual Re-Training Session” / Date of training: 11/25/2022-12/7/2022. Number of employees received training: 1,222 persons. Training hour: 1 hour.</p> <p>(4) “AEO Supply Chain Safety Training (in the light of suspicious mails and packages, cargo safety, cargo safety and information security)” / Date of Training: 6/24/2022. Number of persons received training: 51 persons. Training hour: 2 hour.</p> <p><u>External training:</u></p> <p>(1) “The Formula of ESG and Sustainability: Practical Strategies for Enterprise Net Zero Transformation” / Date of Training: 9/26/2022.</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>	
			<p>Number of persons received training: 2 persons. Training hour: 6 hours.</p> <p>(2) “Course for enterprise commonly used financial and tax laws and regulations practice and analysis” / Date of training: 8/09/2022.</p> <p>Number of persons received training: 1 person. Training hour: 6 hours.</p> <p>(3) “The latest policy development and internal control management practices related to "ESG sustainability" and "self-compilation of financial reports" / Date of training: 8/15/2022. Number of persons received training: 1 person. Training hour: 6 hours.</p> <p>(4) “The latest IFRS Q&A and Analysis” / Date of training: 9/19/2022.</p> <p>Number of persons received training: 1 person. Training hour: 6 hours.</p> <p>(5) “Audit Standards Propaganda Conference” / Date of training: 9/30/2022. Number of persons received training: 1 person. Training hour: 3 hours.</p> <p>(6) “Common enterprise lack of internal control management situation and the analysis on practical cases - Corporate social responsibility: corporate governance from the aspect of human right strategy “ / Date of training: 11/07/2022. Number of persons received training: 1</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>	
			<p>person. Training hours: 3 hours.</p> <p>(7) 2022 Symposium on Promoting the Adoption of IFRS in Taiwan / Date of training: 11/24/2022. Number of person received training: 1 person. Training hour: 3.5 hours.</p> <p>(8) “The Formula of ESG and Sustainability” / Date of training:9/26/2022. Number of person received training: 1. Training hour: 3 hours.</p> <p>(9) “The focus of operating system audits and the integration of cross-cycles and operations” / Date of training: 4/13/2022. Number of person received training: 1 person. Training hour: 6 hours.</p> <p>(10) “In the face of climate change and the wave of sustainable development, explore the impact on corporate internal control and countermeasures from the perspective of ESG risk” / Date of training: 12/19/2022. Number of person received training: 1 person. Training hours: 6 hours.</p> <p>(11) “How to use digital technology to explore and improve operating procedures and fraud detection - audit practice discussion” / Date of training: 10/14/2022. Number of person received training: 1 person. Training hour: 6 hours.</p> <p>(12) “Explore the impact of corporate internal control and countermeasures from the perspective of ESG risk” / Date of training:</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>	
			11/02/2022. Number of person received training: 1 person. Training hour: 6 hours.	
<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 after accepting claims, regulates actions to take after the investigation and establishes 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 already made “Social and Environment Responsibility Statement” and “Internal Whistle Blower Guidelines” are explicitly expressed specific the company’s whistle blowing system. The President Office is assigned to be the accusation receiving unit.</p> <p>B. The company has set up “Social and Environment Responsibility Statement” and “Internal Whistle Blower Guidelines”. Complaints made by the company’s employees should be directly sent to the President Office. Superintendent of the accepting unit may convene “Complaints Review Committee” depends on the complaint contents to discuss and make further process on the complaint cases. However, the superintendent of the complainant should not be included as one of the Complaint Review Committee members.</p> <p>C. The company has set up “Social and Environment Statement” and “Internal Whistle Blower Guidelines” to serve as a guideline to process all the complaint cases. In order to protect complainant’s personal information, all the process and handled in anonymous manner during the process. All the progress and results are secretly protected to</p>	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>	
			prevent the complainant from differential treatments.	
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 the related information 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/TPEX 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: <p>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/TPEX listed companies and regulations relating to other commercial behaviors and takes such rules and regulations as basis to carry out ethical management practices.</p> <p>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.</p> <p>C. The company has established "Management Procedures to Prevent Insider Trading". The company carries out education training and guidance on the company's directors, 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.</p>				

7. 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 Social and Environment Statement, 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, The Policy and Procedure of Risk Management, and a comprehensive internal control and internal audit system. All the related information has been disclosed on the company's website for meeting with employees' inquiries and truly carrying out and promoting Taiwan Fu Hsing's corporate governance system.
8. Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: No.
9. Corporate governance related continuing education listed below were courses taken by managers:
"Continuing training courses for accounting executives in security issuers, security firms, and stock exchange" held by Accounting Research and Development Foundation, "The Formula for ESG and Sustainability: Practical Strategies for Enterprise Net Zero Transformation" held by PwC Taiwan, and "2022 Propaganda on High risk hazard prevention for manufacturing industry" held by Labor Standards Inspection Office, Kaohsiung Labor Affairs Bureau.

10. The implementation of internal control system

(i) Statement of internal control system

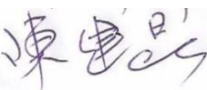
Date: March 8th, 2023

In the light of the Company's 2022 internal control system, the Company is hereby made the following statement based on the results of self-assessment.

- 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. In addition, 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 based on above-mentioned internal control system assessing 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) on Dec. 31st, 2022, including the understanding of the efficiency and effectiveness of operations and achievements, reliability, timing, and transparency of the company's 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 20, 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 8th, 2023 with 9 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

- (ii) 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
11. 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.
12. 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
- (1) General Shareholders' Meeting

Date	Important Resolutions	Execution Status
May 27, 2022	Adoption of the 2021 financial statements and proposal of earnings distribution.	On May 27, 2022, the Chairman resolved to set the ex-dividend date on June 24 th , 2022 and July 15 th , 2022 as the cash dividend distribution date.
	Adoption of the proposal to amend the Company's Articles of Incorporation	Approved by the Ministry of Economic Affairs on July 5 th , 2022 and disclosed on the Company's website.
	Adoption of the Procedures of the Acquisition and Disposal of Assets	Disclosed on the Company's website on May 27 th , 2022, and procedures were handled in accordance with the procedures set forth in the amended version.

(2) Board of Director's Meeting

Date (mm/dd/yyyy)	Important Resolutions
2022 1 st Meeting 01/24/2022	To review 2022 Business Plan
	To discuss the independency of accountants and the appointment of certifying accountants
	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2021"
	To review the proposal to approve "2021 Remuneration Paid to Managers and Employees"
2022 2 nd Meeting 03/9/2022	To adopt the 2021 financial statements
	To resolve on 2021 earnings distribution
2022 3 rd Meeting 05/6/2022	To discuss the 2022 Q1 Consolidated report
2022 4 th Meeting 08/05/2022	To discuss the 2022 Q2 Consolidated report
2022 5 th Meeting 10/06/2022	To discuss the proposal to acquire a factory in Pingtung Technology Industrial Park Zone at the Export Processing Zone Administration Pingtung Region and at the same time to set up a branch for operation
2022 6 th Meeting 11/04/2022	To discuss the 2022 Q3 Consolidated report
	To discuss the 2023 Audit plan
2023 1 st Meeting 01/16/2023	To review 2023 Business Plan
	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2022"
	To review "2022 Remuneration Paid to Managers and Employees"
2023 2 nd Meeting 3/8/2023	To adopt the 2022 financial statements
	To resolve on 2022 earnings distribution
	To discuss the proposal of setting up branch in the South-East Asia.
	To discuss the comprehensive re-election of directors
	To discuss on the proposal to remove the non-compete restrictions for the Company's newly elected directors and their representatives

13. Whether any director has 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
14. The summary of post resignation or dismissal of personnel whose job might be relating to the company's financial reports, who may include the Chairman, CEO, Accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor, etc., in the most recent fiscal year and up until the date of printing of this annual report: None

(5) Information on the fees paid to certifying accountants

Name of Accounting Firm	Name of Accountant	Review Period	Audit Fee	Non-Audit fee	Total	Remark
PwC Taiwan	Wang, Kuo-Hua	2022	2,990	1,200	4,190	Non-Audit fee is paid for tax compliance audit and the service of transfer pricing
	Wu, Chien-Chih					

(6) Information on the Replacement of Accountants

Information on the replacement of certifying accountants in the most two recent fiscal years: there has been no change of accountants in the last two years and thereafter.

(7) 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

(8) Information on share transfer and pledge of stock right changes by directors, managers, and major shareholders at the most recent fiscal year and up until the printing date of this report

Title	Name	2022		Jan. 1 st , 2023 ~ Mar. 30 th , 2023	
		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 Cheng Investment Co., Ltd.: Lin, Tzu-Hsuan	0	0	0	0
Director	Representative of Fu Zhi Investment Co., Ltd.: Chu, Jung-He	0	0	0	0
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	0	0	0	0
Director	Representative of Fu Yuan Investment Co., Ltd.: Liu, Ju-Shan	0	0	0	0
Director	Representative of Fu Yuan Investment Co., Ltd.: Lin, Wen-Hsing	0	0	0	0
Independent Director	Chang, Ling-Ling	0	0	0	0
Independent Director	Chen, Yung-Chun	0	0	0	0
Independent Director	Chuo, Yung-Fu	0	0	0	0

President of business group	Chu, Jung-He	0	0	0	0
President of business group	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
Vice President	Lin, Tzu-Hsuan	0	0	0	0
Vice President	Lin, Shih-Huang	0	0	0	0
Vice President	Chu, Hong-Yang	0	0	0	0
Director	Li, Chen-Hui	0	0	0	0
Director	Lin, Wen-Yu	0	0	0	0
Plant Manager	Chung, Hsuan-Tung	0	0	0	0
Chief Finance Officer	Li, Kuo-Wei	0	0	0	0
Chief of Culture	Lin, I-Cheng	0	0	0	0
Accounting Supervisor	Wu, Hui-Min	0	0	0	0

(9) 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	-
HSBC Bank (Taiwan) Ltd. entrusted by investment account in BNP Paribas Singapore	11,261,000	5.97%	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd.	10,886,000	5.77%	-	-	-	-	-	-	-
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%	-	-	-	-	Hong Cheng Investment Co., Ltd.	The 2 companies' Chairman is Lin, Chao-Hung.	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Lin, Chao-Hung							Lian Guang Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Sheng You Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5%	-	-	-	-	Lian Guang Investment 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	-
Lin, Wen-Hsing							Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Sheng You Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Sheng International Investment Co., Ltd.	7,624,000	4.05%	-	-	-	-	Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Lin, Tzu-Hsuan									
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	-
Lin, Chao-Hung							Lian Guang Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Sheng You Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
CTBC Bank – Lin Jui-Chang trusted account	5,000,000	2.65%	-	-	-	-	-	-	-
Fu Xun Investment Co., Ltd.	4,697,300	2.49%	-	-	-	-	Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Lin, Tzu-Yang									
Lian Guang Investment Co., Ltd.	4,210,417	2.23%	-	-	-	-	Fu Ding Investment Enterprise, Co., Ltd.	Both Company's 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 Co., Ltd.	A 2 nd degree relative with the company's Chairman	
Lin, Wen-Hsing							Sheng You Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	
Sheng You Investment Co., Ltd.	3,144,000	1.67%	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Lin, Teng-Tsai							Hong Cheng Investment Co., 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	-

(10) Composite share holding percentage

Unit: Share; %

Invested Enterprise (Re-investments)	Taiwan u 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	%
FORMFLEX ENTERPRISE CO., LTD.	23,704,000	100%	-	-	23,704,000	100%
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	100%	-	-	1,560,000	100%
Fortress Industrial Co., Ltd.	39,930,000	100%	-	-	39,930,000	100%
Techform Industrial Co., Ltd.	80,000,000	100%	-	-	80,000,000	100%
FU HSING AMERICAS INC.	300,000	100%	-	-	300,000	100%
ARCTEK Industrial Co., Ltd.	5,838	70%	-	-	5,838	70%
Sunion Technology Co., Ltd.	4,100,000	100%	-	-	4,100,000	100%

IV. 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 & Institutional Holder	Financial Institution	Other Juridical Persons	Individuals	Foreign Institutions & Investors	Total
Numbers of account	0	5	110	14,479	99	14,693
Shares Hold	0	12,536,000	77,793,481	75,130,163	22,992,526	188,452,170
Shareholding %	0%	7%	41%	40%	12%	100%

(3) Dispersion of shareholding

NT\$10/share / Mar. 30, 2023

Range	Number of Shareholders	Number of Shares Held	Shareholding %
1-----999	3,838	610,884	0.32
1,000-----5,000	8,326	17,910,439	9.5
5,001-----10,000	1,365	10,762,251	5.71
10,001-----15,000	380	4,910,414	2.61
15,001-----20,000	223	4,140,358	2.2
20,001-----30,000	216	5,562,821	2.95
30,001-----40,000	83	3,011,530	1.60
40,001-----50,000	68	3,218,961	1.71
50,001-----100,000	86	5,925,796	3.14
100,001-----200,000	37	5,038,141	2.67
200,001-----400,000	20	5,295,199	2.81
400,001-----600,000	7	3,643,576	1.93
600,001-----800,000	11	7,824,568	4.15
800,001--1,000,000	1	900,000	0.48
1,000,001 and above	32	109,697,232	58.21
Total	14,693	188,452,170	100

(4) Name list of major shareholders

Name of Major Shareholder	Shares Held	Shareholding
HSBC Bank (Taiwan) Ltd. entrusted by investment account in BNP Paribas Singapore	11,261,000	5.97
Fubon Life Insurance Co., Ltd.	10,886,000	5.77
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5.00
Fu Sheng Investment Co., Ltd.	7,624,000	4.05
Hong Cheng Investment Co., Ltd.	5,721,451	3.04
CTBC Bank - Lin Jui-Chang trusted account	5,000,000	2.65
Fu Xun Investment Co., Ltd.	4,697,300	2.49
Lian Guang Investment Co. Ltd.	4,210,417	2.23
Sheng You Investment Co., Ltd.	3,144,000	1.67

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

Year		2021	2022	Current year until March 30, 2023
List				
Price per Share	Highest	49.15	44.60	44.80
	Lowest	39.55	38.00	42.65
	Average	43.37	41.35	43.65
Net Value per Share	Before profit distribution	32.12	35.26	—
	After profit distribution	29.72	32.36	—
Earnings per Shares	Weighted Average Shares	188,452,170	188,452,170	—
	EPS	3.54	4.83	—
Dividend per Share	Cash dividend	2.40	2.90	—
	Stock Grants	From Retained Earnings	—	—
		From Capital Reserve	—	—
	Accrued dividend	unpaid	—	—
Return on Investment	PE Ratio (Note 1)	12.25	8.56	—
	Price to Dividend Ratio (Note 2)	18.07	14.26	—
	Cash Dividend Yield (Note 3)	5.53%	7.01%	—

Note 1: PE Ratio= Averaged share price of the year / EPS.

Note 2: Price to Dividend Ratio = Average share price of the year / Cash Dividend per share.

Note 3: Cash Dividend Yield = Cash dividend per share / Averaged share price of the year.

(6) Dividend policy and the implementation

(1) Dividend policy

According to the amended Corporate Act on May 20th, 2015, a proposal was brought up to resolve the amendment of the Company's Articles of Incorporation on November 9, 2015. According to the amended Articles of Incorporation, the Company shall distribute no less than five percent of the current fiscal year's profit to its employees as employee remunerations and shall distribute no more than five percent of the current fiscal year's profit to its directors and supervisors as remunerations. Nevertheless, the company shall make up the accumulated loss, if any, first before such remuneration distribution.

The Company's bonus for employees may be distributed in cash or with stocks, and the distribution objects may include employees of the company's affiliated companies; in this case, the Chairman has the right to define the distribution conditions.

Each year, if there is surplus after closing, the Company shall, after paying income tax and covering all losses till then, set aside 10 percent of the surplus profits as legal reserve, except when such legal reserve amounts to the total capital. When deems necessary, a special reserve may be allocated or reversed in accordance with laws and regulations.

When the Company sets aside the special reserve in accordance with the law, for the shortfall of the "accumulated deductions to other equities - net amount", before distributing earnings, the Company should first set aside the same amount of special reserve from the undistributed earnings from previous periods. If there is still insufficient, the Company shall then make a provision from the undistributed earnings of the current period after adding the net profit after tax of the current period and other items other than the net profit after tax of the current

period.

After a special reserve is set aside or reversed in accordance with the laws and regulations, the undistributed surplus at the beginning of the same period is added as the accumulated distributable earnings for shareholders. The board of directors shall prepare a distribution proposal and submit to the shareholders' meeting for resolution before distribution.

When distributing dividends and bonus, the Company may distribute an amount equal to or partial of the legal reserve and capital reserve. In the case of issuing new shares, the board of directors shall prepare a profit distribution proposal and submit to the shareholders' meeting for resolution before distribution; in the case of cash distribution, the board of directors is authorized to implement upon the approval of a majority of the directors present at a directors meeting attended by two-thirds or more of directors, and report to the shareholders meeting.

The Company adopts the policy of surplus dividends in consideration of funding needs in future and overall investment situation, long-term financial planning, domestic and global competition situation, and as well as shareholders' needs for cash inflow. Each year, the company shall appropriate no less than thirty percent of earning surplus for shareholders as dividends, which may be distributed in case or with stock, only that the cash dividend should not be less than fifty percent of the total payout.

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

(1) Shareholder's cash dividend: NT\$2.9 per share (for a total of \$546,511,293).

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

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

1. The percentages or ranges with respect to employee bonuses and director/supervisor compensation, as set forth in the Article 26-1 of the company's Articles of Incorporation: The detailed information can be looked up in the Handbook distributed in the Shareholders' Meeting of the year.
2. 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 shall be handled in accordance with the following principles:
 - A. According to the Company's Articles of Incorporation, the Company shall distribute not lower than five percent of current year's profit to its employees as employee remunerations and to distribute not more than five percent of current year's profit to its directors as remunerations. In the year of 2022, the estimation basis was established by the board of directors based on the Company's Articles of Incorporation and operational performances.
 - B. No applicable, because this year the Company does not propose to distribute stock bonus to its employees.
3. 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. The Board of Directors' Meeting on Jan. 16th, 2023 resolved a total amount of NT\$198,540 thousand as remuneration paid to employees and a total amount of NT\$19,500 thousand as remuneration paid to directors.
 - ii. In 2022, it was estimated to paid NT\$198,540 thousand to employees as remuneration and NT\$19,500 thousand to directors as remunerations.
 - iii. There was no discrepancy.

- 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 the Company does not distribute any stock bonus to employees this year.
- 4. The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number of the shares distributed, dollar amount, and stock price), 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. The actually distributed amount in 2022: NT\$167,911 thousand dollars to employees as remuneration and NT\$14,100 thousand dollars to directors as remuneration.
 - B. The estimated amount to distribute in 2021: NT\$167,911 thousand dollars to employees as remuneration and NT\$14,100 thousand dollars to directors as remuneration.
 - C. There was no significant discrepancy.
- (9) Share buyback situation: None.
- (10) Issuance of corporate bond: None.
- (11) Issuance of preferred stock: None.
- (12) Issuance of global depository receipt: None.
- (13) Employee stock option: None.
- (14) Mergers or acquisitions, and issuance of new shares due to acquisition of shares of other companies: None.
- (15) 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.

V. The Operations

(1) Operation content

i. Scope of Business

1. Main contents of the business

- A. CA04010 Metal Surface Treating
- B. CA02070 Lock Manufacturing
- C. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
- D. CD01030 Automobiles and Parts Manufacturing
- E. CD01040 Motor Vehicles and Parts Manufacturing
- F. F214030 Retail Sale of Motor Vehicle Parts and Supplies
- G. CQ01010 Die Manufacturing
- H. F206030 Retail Sale of Die
- I. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
- J. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- K. CA02080 Metal Forging Industry
- L. CA01090 Aluminum Casting Manufacturing
- M. CA01990 Other Non-Ferrous Metal Basics Industries
- N. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Analysis of operation revenues

Item	% of Total Revenue
Door related parts	100%

3. Current Products and Services

Name of Products	Services
High-end door locks	For traditional/electronic door lock products, on the premise of ensuring safety, to add product functions and design, in line with the trend, more appearances and color, so as to provide users with more options
All kinds of door closer and hinges	To provide door control related hardware products that are safe and able to meet the needs in fire-proof environment
Panic exit device	To provide customers with complete solutions in relation to fire exit door lock to reduce damages during fire disasters

4. Planned new products and services

- a) In the business of door lock and panic exit devices
 - a. Door lock product series in line with today's home style
 - b. Cloud IoT platform and home automation series products

- c. Residential complex's cloud access control system
- d. Biometrics and smart locks with wifi communications that can be controlled through mobile facilities
- e. Touch screen lock, push bottom lock, and membrane key electronic lock.
- f. Provide more selections with diversified lock appearances and new colors for US standard home lock products
- g. The expansion on more functions and trendy appearances of the U.S. grade commercial locks.
- h. Antibacterial type series products development
- i. US ANSI Grade 1 high-end fire-proof lock series and the related electronic accessories
- j. US ANSI Grade A series products
- k. Recyclable green packaging

b) In the business of door closer

- a. Highly efficient door closer and the accessories that meet EU's CE standard
- b. US ANSI Grade 1 certified heavy duty door closer
- c. EU CE certified electronic stop device that can be applied with single-leaf door closer and double-leaf door's selector
- d. EU CE standard heavy duty door/floor hinge related products
- e. Hydraulic glass door lock for quick installation on glass doors and is in common use in both EU and US markets.

ii. The industry

I. Current status and development of the industry

(A) Pandemic caused influences: With the gradual easing of the epidemic and the recovery of the market, the construction market has gradually resumed, and it is expected that there will be another wave of demand growth in the market.

(B) IoT applications: IoT technology is gradually maturing, and consumers are more familiar with the integrated applications of IoT products through the use of smart speakers, such as Google Home, Amazon Alexa, etc. As an indispensable part of smart home, door lock has become an important purchase indicator. In 2023, the Connectivity Standards Alliance launched the Matter Protocol. The participating enterprises include leading companies, such as Apple, Google, Amazon, etc... The protocol wants to drive the convergence of today's chaotic IoT ecosystems to solve consumer's distress at choosing products and enhance user experiences. The Matter Protocol has now become a focus of the IoT and smart home industries.

(C) Residential housing's development trend: In response to the economic development trends and changes in lifestyles in major mature markets, condominiums in metropolitan areas have become the first choice for the new generation. With the characteristics and needs of community monitoring management and leasing, the integration of door locks into the access control system or even further expand to the application of life care will become an important topic in the development of door locks. As for the solution of electronic gate control system, combined with the IoT system, with the functions and characters of real-time monitoring, convenient operation, and traceability, it is believed to

become the mainstream.

(D) U.S -China trade war: The reorganization of industrial supply chains triggered by the U.S.-China trade war can be a challenge and an opportunity. At the same time, Taiwan has high-level industrial design, metal processing, and electronic technology research and development capabilities, coupled with flexible marketing strategies and international professional division of production and management, making Taiwan's lock industry currently in the leading position in the world

II. The relationship between the upstream, mid-stream and downstream of the industry

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

III. Product development trend and market competitions

A. High-end door lock and panic exit device business

a. Product development trend

Modern consumption habits have changed. Consumers now can compare prices online, and their attachment to brands is lower than in the past. Consumers' concept and demand for door locks are no longer limited to price and practicality or brand, and instead product appearance , color series, safety, convenience, functionality, and even the matching ability with furniture and bathroom supplies become factors for consumers to compare and select in a more comprehensive sense. In addition to basic functional requirements of safety and fire prevention, the demand of panic exit devices to meet with different applications, such as the function to coping with special climate change environments, to complying with the requirements of disability laws and regulations, and to becoming electronic access control security systems, have grown concretely.

b. Market competition

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

b-1. High-Price Products

The main customers are in the locksmith market and architectural hardware channels that has professionally designated product certification and specifications. The main competitors are local well-known brands in Europe and North America. Besides well-known brands in the door lock industry, major competitors of electronic locks include brands of electronics and software services that have also entered the electronic lock market.

b-2. Mid-Price Products

Major customers include architectural hardware products importers (to meet the demands from new construction projects or replacement market) in the U.S. and Canada and also large DIY products related retail channels. The major suppliers for this segmentation are Taiwan Fu Hsing Industrial Co., Ltd. and other lock manufacturers in Asia.

b-3. Low-Price Products

Major customers include customers in replacement market that have lower expects on the

safety, durability, and quality, or in the low-priced construction market. The major supplying areas are Mainland China or India.

B. Door closer business

- a. Upgrade from traditional gear and rack door closer to highly efficient CAM action door closer, R&D and production/manufacturing abilities are enhanced, and also product's added value is increased too.
- b. Connect with electronic technology to develop high-end electronic door control products. For example, e-controlled Hold Open, free swing, and auto open/close operators, etc... such are made to meet with future trend and market demand, and the combination of technology and door control's security is able to provide more diversified products to the market.
- c. Self-manufactured and processed high-end door closer's key parts is able 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.

C. Our technology and R&D

In 2022, the Company invested in NT195,582 thousand dollars in R&D, which was about 2.05% of the net sales. Ever since the establishment of Taiwan Fu Hsing, we have obtained 1,228 patents (552 domestic patents and 676 international patents), and have accumulated 1,516 patent applications.

D. Long-term and Short-term business development plan

Looking back to the year of 2022, the economy and business continued to be affected by multiple uncertain factors, such as the impact of the global covid epidemic, rising costs of metal raw materials and electronic components, unstable supply chains resulting in the shortage of materials and labor, as well as the progress of construction projects, and the gradual ease of international port congestion resulting in increasing inventory level at customer's end due to increased product arrival volume, hence the market demand in the 2nd half of the year became more conservative. However, as the global economy expecting to squat first then jump, we continued to deploy ahead of time to cooperate with customers to grasp market demand, and strive to maintain stable supply chain supply and expand market share. At the same time, we paid attention to cost optimization and product function re-evolution. On the one hand, we regularly launched products with more price competitiveness; on the other hand, we introduced products with more functions and features that are able to differentiate us from homogeneous products on the market to strive to maintain growth momentum.

Looking forward to 2023, with the reduction of customer inventory and the gradual control of inflation, the overall market is expected to resume its previous growth in the second half of the year. We continue to have optimistic view on the market demand for collective housing and rental housing. Generally speaking, the demand in the market of home improvement during the epidemic was not greatly affected. After the epidemic, it is expected to have more growth momentum, especially when the demand of modern style products that was used to be favored in the high-end market has now been extended to the home-level product line and is expected to help expand the Company's market share. In the long run, in response to the trends, in which the growth of collective housing will be much higher than that of single-family housing and the new generation has changed their shopping habits, the Company will add new products for customers in the retail market and for customers in the construction market

respectively. In addition, , we utilize both traditional and online channels to provide consumers with more choices in order to quickly respond to market demand. When border controls in various countries gradually ease, the Company will resume visiting the market and interacting frequently with customers; by actively listening to market needs, we'll explore new business opportunities.

The Company now is planning to enhance its competitive strength in four strategic facets, including products, pricing, branding, and channels. In the short term, we will continue to stabilize and further strengthen current OEM and ODM customer's sales channels. In the long term, we will keep developing and integrating business partners in smart home area and create reciprocal benefits with partners in order to keep creating better profits and growth.

a) as for product strategy:

Coping with the market growth trend, we continue to expand the product range of different grades in mechanical locks, taking into account traditional and modern styles, home and public application scenarios, and launch products with new appearances and innovative functions according to respective demands of general consumers and professional builder customers. Our goal is to construct even richer product line that is closer to market demand and using habits.

The technology of electronic smart lock changes day by day. The innovation on its related technology has always been a key investment focus for Taiwan Fu Hsing. Besides keeping launching new and most price competitive basic electronic lock products to satisfy the demands from entry level clients, we, at the same time, will continue to construct related hard and soft ware system to link up with the trends of home automation. By integrating smart phone, Bluetooth, near field communication, wireless network, etc, we will bring in and combine touch panel and biometric recognition system to construct the market in home automation and smart access control system. In practical application, aiming at the demand of residential complex management, the Company's products, besides having characteristics of wireless electronic locks, can also be utilized to provide flexibility for more sophisticated management on time and area. Comparing to products of other manufacturers, Taiwan Fu Hsing's products are able to reduce costs in installation and maintenance. In terms of schedule:

- Short-term goal: continue to increase the basic kind of product line and cultivate deeper in the market in order to enhance the market share:
 - a. have its fine basic function;
 - b. Is easier to install;
 - c. Is friendly in its pricing;
 - d. Design diversification.
- Long-term goal: at high-end product line, connect with the trend of electronic technology, grasp the new standards in this industry, attach closer to customer's favorite, and have close and good cooperation with global major door lock business groups.
 - a. Based on the basis of existing electronic lock products (button type, film type and touch type), introduce products with new design and new functions to satisfy customers in different marketing channels and with different attributes. Through the integration of new and old product lines and software and hardware, the breadth of product selection is expanded.

- b. To connect to the trend of home automation and continuous pay attention to the development of main-stream products, such as smart phones, Bluetooth technology, NFC, touch screen, and biometric system. Will link up with access control system to foot at home automation system and intelligent access control system.
- c. To develop various grades of door lock products according to U.S. ANSI's newly regulated standard on family locks in order to meet the demands from different customer bases.
- d. Three main directions for rich and diverse design - the design focusing on "Avant-garde modern", "European classic", and "convergence of modern classic" are set to be the new design directions, and will launch products having advantages of both price competitive and different design style to meet market demand
- e. Combined with the concept of health and environmental protection, we develop environmental-friendly packaging to achieve energy saving and carbon reduction, as well as have aesthetics appearance.
- f. Global health awareness is on the rise, hence will launch products with antibacterial coating.

b) As for pricing strategy:

Since now younger customers gradually become the main consuming force, we will fully utilize our strength in modulization design and keep studying customer's preference trend, analyze important key factors in segment preference, maintain our agilely flexibility and best competitive strength regardless in product appearance, spec or packaging, to expand the economic scale and strength cost advantages. We will, at the same time, cooperate with the analysis on the market trend and provide quantities promotions at the right moment to stimulate purchasing willingness and sales.

- a. In the short term, we will utilize the strategy of diversified product mix and packaging with different pricing plans to promote sales.
- b. In the long term, we will study consumer's use habit and integrate global market trend in order to obtain the most efficient cost advantage with scale economy.

c) as for branding strategy:

Will expand the cooperation with global main streams to provide high quality and cost competitive products to promote customer's brand image, so as to enhance market share together.

Also, will integrate our own brands. For Taiwan domestic market, the brand, "Jia An (加安)", will be promoted, for exports, the "Faultless" is our brand, and for commercial use door lock, door closer, and hinges, the brand, "Arctek", is mainly used and combined into a complete product line.

d) as for distribution strategy:

In the short term, we will continue to cooperate with the characters of retail channel and construction channels and provide more differentiated products. For new construction channels, we will strengthen product's high value added functions and specs. For retail channels, we will continue to stress on the basic function and pricing friendliness. Also, we will also occasionally launch short term promotion programs in the light of various products in order to catch customer's attention.

In the long term, we will continue to develop new distribution channels especially in areas of:

- a. On-line shopping: in the post-epidemic era, business opportunities from on-line shopping and long distance shopping are rising further. In response to the changing habits of consumers of the new generation, we realize that we must aggressively add more product selections and move closer to consumers by utilizing different social media. In addition, with the launch of products with various new appearances (including mechanical locks and electronic locks with traditional outlook and modern appearance), we'll participate in sample-giving promotional activities and other related promotional activities in major on-line shopping platforms to accumulate high opinions on our products, regularly launch limited time discounts to stimulate purchasing willingness, and analyze further the characteristics of sales growth, pricing, and sales region distribution in order to differentiate the promotional key points in different regions.
- b. Non-traditional sales channel: will strengthen the cooperation with 3C sales channels and the manufacturers of home security systems.

(2) Market and the Production-Marketing Situation

1. Major marketing area and the market share

Domestic sales and export sales accounted for about 5% and 95% of the total sales respectively, and among those, the North American market accounted for 69% and the Chinese market accounted for about 7%, and 19% were from all other regions (Asia (excluding China), Europe, New Zealand, Australia, Central and South America, etc.). By providing high-quality products and complete services, the Company has been repeatedly recognized by consumers, and our sales performance proves that Taiwan Fu Hsing has successfully occupied a place in the global door hardware market.

2. Future Market Demand and the Growth

- (i) North America: in the first half of 2022, the overall North American market's business slowed down due to the impact of the epidemic, the supply chain problem and the shortage of logistics containers, and yet the demand for our cost-effective home products did not decrease but increased. And then in the 2nd half, the logistics situation had improved significantly, so the product supply was improved and the market demand cooled down. However, under our advanced deployment, we were still able to maintain a stable growth in market share. In the future, the Company will give full play to the existing R&D advantages, develop products with more new appearances and functions, and increase the added value of products. At the same time, we will continue to accelerate the development of wireless communication smart door locks, and provide non- The contact door lock operation mode provides double protection for personal health and home safety.
- (ii) EU market: continue to cultivate new strategic customers in Euro Zone, and meanwhile, in the light of current clients, to promote niche products and increase product items to enhance current client's product profiles with the expectation to further drive up the growth.
- (iii) South East Asia and Central South America market: this year the epidemic situation stabilizes and restrictions are gradually easing, market demand gradually recovers. The Company will

continue to work with regional partners, with customers' existing brand image and Taiwan Fu Hsing's long-term stable quality, from the basis of modularization and also from modeling and products, to launch differentiated and more diverse product lines in terms of appearances and specifications, as well as to lock in regional strategic partners, actively strengthen cooperation layout, and continue to increase market share.

- (iv) New Zealand and Australia: Besides current channels: in addition to existing channels, will actively cooperate with strategic partners, understand the market demand in New Zealand and Australia, plan and develop products and channels. We expect to inject a new wave of growth momentum through flexible sales strategies
- (v) Domestic market: to optimize the Company's high value-added products and improve the performance of the security system. At the same time, by optimizing the customer service network to be closer to the real experience of consumers, creating new sales opportunities and markets.
- (vi) Emerging markets: the area includes China, Middle East, and India. We expect the home-use and commercial-use door lock products, as well as security related products will continue to grow steadily.

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

(1) Favorable factors

- A. The strength of internationalized production division: 4 production bases in Taiwan (Fu Hsing Kangshan plant, Tong Hsing plant, Fortress plant, and ARCTEK plant) and 2 in China (Taichang plant and Changshu plant) will continue our consistent policy to deploy multiple production bases in advance. On the one hand, we will expand production capacity further; on the other hand, we will vertically integrate the parts supply chain and increase the coordination and flexibility of production capacity, so as to respond to market demand more quickly to satisfy customers.
- B. Cross-industry integration to create new business opportunities: the establishment of Sunion Technology helps us stabilize the supply chain of electronic lock materials, and on the other hand, supports to more timely to continue to develop electronic networked smart door locks or cooperate with other home smart network operators, so as to accelerate product's development faster and provide a more in-depth and professional services to customer.
- C. Strengthen U.S. subsidiary's services to provide in-time shopping suggestions for local customers, strengthen inventory dispatching support, after-sale services, and the stock delivery functions for on-line business in order to effectively cut into the new E-marketing field and promote market share in full scale.
- D. China market continues to grow. This includes demands from large-scale construction projects, public infrastructure, and urban development, especially in the 2nd and 3rd tier cities. Fu Hsing has started its China layout in a few years ago, and the early involvement is favorable to Fu Hsing's growth in China.
- E. Continuous investment is carried out into all plants' automation process to complete further lean-production concept and promote product's added value, quality and competitiveness.

(2)Unfavorable factors

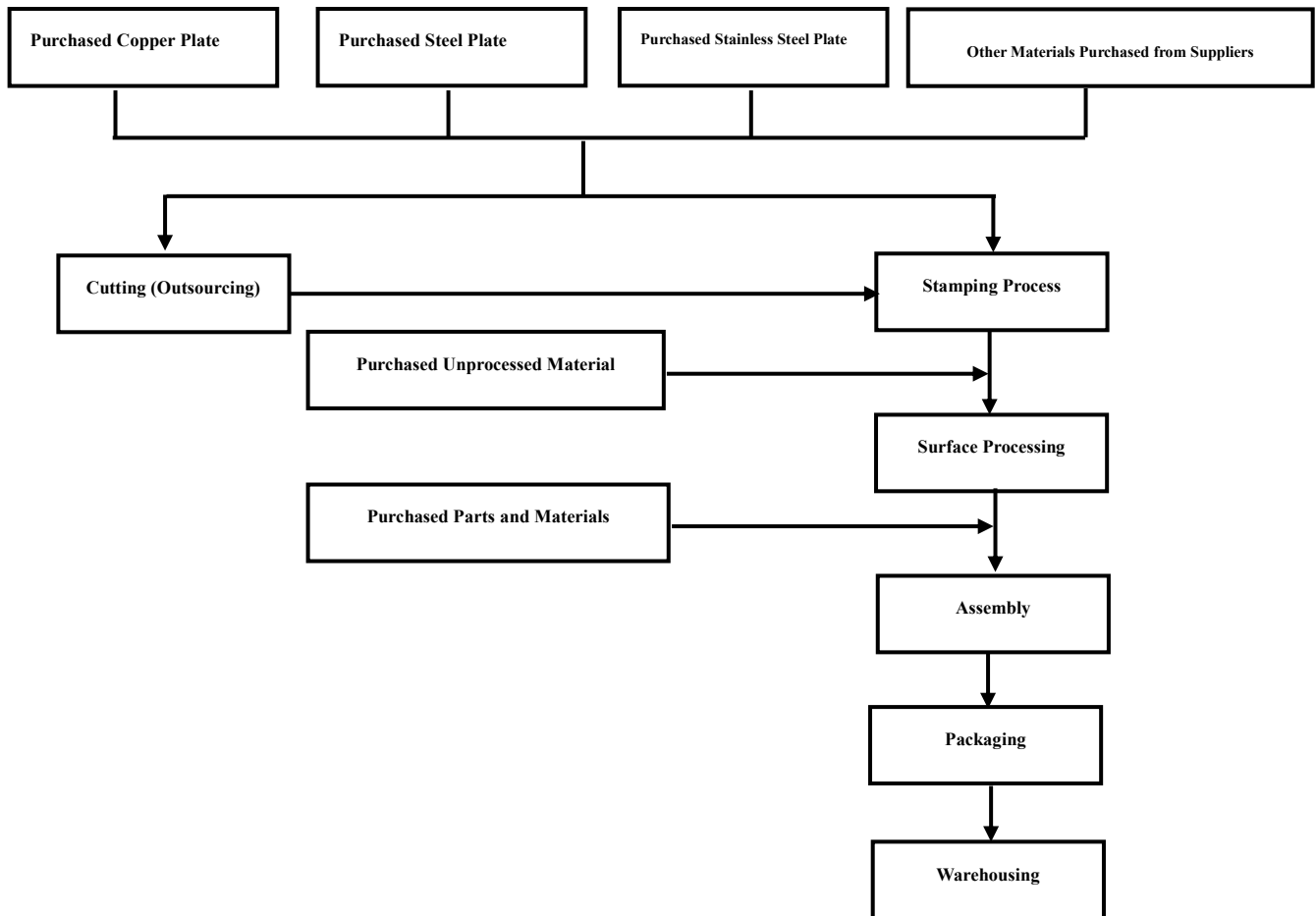
- A. Increasing material cost results in increasing cost.
- B. Fluctuation of f US dollar exchange rate that may impair profits.
- C. Risk factors in relation to geopolitical situation
- D. Possible insufficient manpower

The international political and economic situation changes all the time. By holding the spirit of vigilant operation, Fu Hsing will continue to utilize its R&D design and lean production to reduce costs and enhance competitiveness. We will put more efforts into high value-added products like commercial use high-end product and electronic product; in particular, the market of electronic locks is a trend in the future and will be the area for us to put in more efforts.

4. Important functions of major products and the production process

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

Production process of metal door locks



5. Supply of major raw materials

Product Name	Major Materials		
	Name	Main Source	Supplying Condition
Door related parts	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.	Good
	Zinc Alloy Ingot	Lee Kee Metal Company Limited	Good

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

i. Suppliers that accounted to 10% or above of the total procurement amount in the most recent 2 years.

Unit: NT\$1,000 / %

List	2022				2021			
	Name	Amount	% of total procurement in the year	Relation to the Issuer	Name	Amount	% of total procurement in the year	Relation to the Issuer
1	Others	\$7,379,483	100%	-	Others	\$8,251,454	100%	-
	Net Purchase	\$7,379,483	100%		Net Purchase	\$8,251,454	100%	

ii. Customers that accounted to 10% or above of the total sales revenues in the most recent 2 years.

Unit: NT\$1,000 / %

List	2022				2021			
	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	Customer C	\$3,319,456	35%	None	Customer C	\$2,539,869	26%	None
2	Customer B	2,172,329	23%	None	Customer B	2,356,322	24%	None
3	Customer E	547,487	6%	None	Customer E	937,878	10%	None
	Others	3,491,648	36%	-	Others	3,852,050	40%	-
	Net Sales	\$9,530,920	100%		Net Sales	\$9,686,119	100%	

7. Production volume and value over the past two years

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

Year Product volume & value Main Product	2022		2021	
	Volume	Value	Volume	Value
Door related Parts	44,075	\$7,681,712	54,078	\$7,990,185
Total	44,075	\$7,681,712	54,078	\$7,990,185

8. Sales volume and value over the past two years

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

Year Sales volume & value Main product	2022				2021			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Door related Metal Parts	1,824	\$574,470	43,116	\$8,956,450	2,250	\$581,335	50,092	\$9,104,784
Total	1,824	\$574,470	43,116	\$8,956,450	2,250	\$581,335	50,092	\$9,104,784

(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		2021	2022	Jan. 1 ~ Mar. 30, 2023
Total Number of Employees	Director Labor	1,779	1,467	1,377
	Indirect Labor	766	718	700
	Management	227	225	229
	Total	2,772	2,410	2,306
Average Age		38.98	32.92	33.37
Average Year of Service		5.99	7.12	7.56
Education Analysis (%)	Doctor	0.04%	0.04%	0.04%
	Master	2.17%	2.99%	2.91%
	University	40.15%	41.99%	42.58%
	High School	35.14%	35.31%	35.73%
	Below High School	22.47%	19.67%	18.73%

(4) Expenditures on environmental protection

1. 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:
The Company's environmental matters have not been punished by the competent authority. We will continue to strive to promote the improvement of the sustainable business environment in the future.
2. The company has a special unit that is exclusively responsible for the management of career 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 training on labor safety and hygiene to make sure the company is able to provide a safe and healthy work environment and seek for continuous improvement.
3. Responding actions
 - (1) 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. While is continuing promoting environment management system and straightening pollution prevention facilities, we should also take laws and regulations into consideration. We must add new system/facilities after obtaining authorities' approval. This will not only decrease impacts to the environment caused by our manufacturing procedures but also minimize risks of having penalties.
 - (2) 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.
4. Projected expenditures
The projected expenditures in the next 2 fiscal years

Unit: NT\$1,000

Name of Facility	2023	2024
The improvement and operation of air pollution prevention facility	2,478	3,516
The improvement and operation of water pollution prevention facility	11,959	10,990
Removal and process of business wastes	15,198	17,632

(5) Work environment and measures adopted to protect employee's safety

I. 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 Policy	Establishes "Safety and Health Bulletin" and makes "Safety and Health Policy" according to corporate social responsibility and the government regulated safety and health requirements to continuously promote the performance achievement in labor safety and health.
2	Safety and Healthy Management System	Periodically review by the "Safety and Health Management Committee"	According to the guidance of the TOSHMS, the Safety and Health Management Committee periodically review and follow the execution results.
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 Monitoring	Regularly monitor work environment and carry out control and improvement based on the measuring results	Entrust external institution that has been certified by the Ministry of Labor to regularly monitor the work environment focusing on dusts, noise, and specific chemical substances according to the "Implementation Method to Carry Out Labor Work Environment Monitoring". 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.

II. The Implementation of Work Safety Control

- (1) 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.
 - (2) 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.
 - (3) 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 must acquire related operation license and regularly receive the company's on-job training to ensure the operation safety.
 - (4) 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.
 - (5) 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.
 - (6) 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.
 - (7) Emergency response training: training 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-Capital 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.

In 2015, Taiwan Fu Hsing, with its corporate culture "honesty", devoted in the promotion of labor conditions and worked hard to create happy working environment and labor-capital's win-win situation. During the year, Taiwan Fu Hsing was highly recognized and won the first Kaohsiung City Top Ten Happiness Enterprises Award" conferred by the Labor Affairs Bureau of Kaohsiung City Government. And in 2020, Taiwan Fu Hsing once again was selected as one Happy Enterprise in Kaohsiung, and won the award in categories of "Gender Equality" and "Welfare". In 2016, the Sports Administration, Ministry of Education started to promote the "Sports Enterprise" certification program and in the first year there were only 50 enterprises certified. Taiwan Fu Hsing with its years of support in social sports event n and our inner cultural to promote health and exercises was received the honor as one of the fifties "sport enterprises" in Taiwan in the very first year. In 2017 after a strict on-site review by the Sports Administration, Ministry of Education, the qualification to receive the sport enterprise certification was postponed to 2018. In 2019, the Company received the honor of "sport enterprise" again, and in 2022 received Taiwan iSport badge from Sports Administration.

In addition, the Company has been supported the development of local art and culture groups (like the BEAN THEATER) for a long time and also sponsored various professional institutions, such as WeiWuYing National Kaohsiung Center for the arts and the Pier-2 Art Center, to continuously introduce into new art and cultural resources to promote the city's cultural accomplishments. Therefore, Fu Hsing in 2017 was recognized by the Ministry of Culture and obtained the reward in the 13th "Arts & Business Award – Corporate Culture Award" for the first time. We continued our devotion in arts and literature. Besides sponsoring related activities, we also worked with WIND MUSIC to jointly hold a special parent-child charity concert to help slow-fly angels (developmental delay children). In 2019 and 2021, we were once again recognized by the Ministry of Culture with the reward of "Arts & Business Award – Corporate Devotion Award".

In the past few years, Taiwan Fu Hsing has actively created a people-oriented, diverse and inclusive environment. Taking migrant workers that accounted to almost 25% of the total employees as an example. It is expected the promotion of charity programs is able to help enhance migrant worker's life in Taiwan and provide more information to the public, so

local society is able to better understand migrant worker. This is a way to create a “good” circulation. In 2019, we started to entrust NGO group 1/40 and Kao Yuan University to design and provide series of “Foreign Labor Empowerment Curriculum”, so that foreign labors have opportunities to learn more different knowledge and skills and are able to pursue their own dreams. In 2020, through the cooperation with 1/40, we held a special exhibit, “Turning Around, Taiwan”, themed at foreign labor’s life. The exhibit received positive feedback from the society and was recognized by PwC with the grant of Bronze Medal in the “PwC CSR Influential Power Award”. In the same year, the Company also won the “Special Jury Award” at the Taipei Golden Eagle Micro-Movie Festival hosted by the Taiwan Institute for Sustainable Energy (aimed at “discovering the story of corporate sustainable development and fulfilling social responsibility”), where all unanimously agreeing with the theme of migrant worker’s care, “Excellent performance, special issues”, and it is the only micro-film that responds to the key points of the UN’s Sustainable Development Goals, in “reducing inequalities and ending poverty”. In 2022, we were awarded the first “TSAA Taiwan Sustainable Action Award” by the same institution. In addition, in 2022 we participated in the first DEI Diversity and Inclusion Vision Award organized by Womeny, LinkedIn, and Deloitte, and was selected as the “Local Enterprise Group Silver Award”, becoming the only award-winning enterprise in the manufacturing industry.

In the area of the development of a healthy work environment, Fu Hsing has, for three consecutive years, obtained the 3-phase healthy work environment certification promoted by the Health Promotion Administration. The 3-phase healthy work certification includes the “2014 smoke control label” → “2015 health start label” → “2016 health promote label” → “2019 the extension of health promote label” along with the “Vitality Award of the 2019 Outstanding Health Workplace”, and Taiwan Fu Hsing has already completed the highest level certification in healthy work place. In 2019, we devoted to promote Workplace Tobacco Hazard and Prevention and health promotion, and actively carry out manners for a tobacco-free workplace and health promotion in order to establish a good and healthy workplace for our employees. We were once again received the “2019 healthy workplace certification - health promotion label”. Our cultivation in sports culture in 2019 was also recognized by the Health Promotion Administration, Ministry of Health and Welfare with the reward of “Excellent Workplace – Vitality and Health Award”. All these official certifications just prove that our long term effort into the promotion of healthy labor and the culture of continuous operation is able to stand the strictest test. In 2020, while all were facing the Covid-19 challenges, the Company deployed in advance to promote overall health and safety protection, established the company’s own anti-epidemic policy, and requested all to strictly follow the policy. In 2021, we quickly responded to the government's vaccine administration policy, being the first to issue a relieving fee for epidemic prevention assistance, and subsidized the cost of vaccine administration for employees in small amounts; then we also offered a 1+1 vaccine leave to take care of the discomfort of employees after being vaccinated, and pushed the overall health promotion measures to A++ grade.

In general we have the following characteristics in the field of “labor relations”:

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. Also, the salary base was adjusted according to market standard and the Company's operational achievement. Since 2017, the salary increase as a whole was more than 4%.

2. Stable and healthy labor structure

We value gender equality and make every effort to treat employees equally regardless in the appointment or promotion. According statistic records, Fu Hsing in 2022 had 2,410 employees. The numbers of male and female employees are quite similar.

3. Recruitment through multiple channels

Fu Hsing's employee recruitment and appointment system is transparent. We mainly use 104 Bank in Taiwan to recruit talents and also adopt different recruiting channels, such as direct newspaper advertisement, leaflets, electronic signboard, career station, etc to more flexibly look for appropriate employees according to the vacant posts. For special, higher level and professional manpower, we also collaborate with high-level manpower agency (head hunters) to recruit. Other recruiting channels, such as university's career expo, professional institution's talents recommendation, or through employee's recommendation, etc... can also help people find qualified human resources. In addition, for meeting the trend of fertility decline and professional deficiency in mechanical field, Fu Hsing also cooperated with universities through internship system to lock on outstanding personnel in advance. In 2020, we provided 7 internship posts for National Kaohsiung University of Science and Technology to nurture new bloods in areas of stamping molds, quality assurance, and product design. Besides, we also cooperated with the Kao Yuan University and the Cheng Shiu University to start the curriculum of "New South-bound International Programs of Industry-Academia Collaboration" and provided 24 foreign students (from Vietnam and Philippine) from Kao Yuan University with internship opportunities and 45 Indonesian students work opportunities, allowing them to work during winter vacations or work and study at regular time. Meanwhile, we also started the program of "Industry-Academia

Collaboration for Indonesian 2-year College, the 2+i Program” and provided 3 Indonesian students internship opportunities, so that international students, through the program, are able to actually understand the training of professional skills other than school curriculum by actually participate in the workplace. In 2021, we continued to deepen the cooperation with Sun Yat-Sen University and enhance brand awareness through programs such as special lectures, industry teacher’s teaching, and industry-university internships. In 2022, we continued to develop the industry-university cooperation with various schools, including the Department of Mechatronics Engineering of the National Kaohsiung University of Science and Technology, the Department of Industrial Engineering and Management of Cheng Shiu University, and the international Specialized Program of Cheng Shiu University. 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 in every November to carry out performance evaluation and the Company stresses on “objectivity”, “Fairness”, and “Two-way communication in such evolution. In additional to assess personal job function, starting from 2017, besides assessing unit’s KPI, the Company also takes a step further to carry out personal KPI assessment. All assessments are evaluated in a whole and finally concluded after a performance interview. It is hoped 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 and QCC improvement team. 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 at least 1 time in every quarter. 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 to maintain labor-capital harmony and establish consensus. In 2022, the mother company convened 4 labor conferences in total. Also, the company vigorously promotes corporate SER (social and environment responsibility) implementation. Besides new employees' training sessions, the Company also regularly advocates CER concepts through seminars and written advertisements to promote the related ideas to supervisors and employees. In addition, compliant channels are established and made public to employees; so that employees are able to report any SER violation issues to ensure the implementation and promulgation of the company's SER policy. For truly understanding what employees think and feel, the Company carried out an Employee Satisfaction Survey in March 2020. With almost 90% employee's participating and evaluation, the Company received very high satisfactory grade with 5 points out of a total 6 points in the areas of Corporate Culture, Welfare System, and Work Balance. The Group President not only illustrated the results and expressed his appreciation to all the employees with an open letter, but also further led a team to strengthen areas that needed to be addressed in order to realize the Company's promise of Mutual Benefit with its employees.

6. Education training

As for employee's training and education, the Company not only established "Method to subsidize on-job training in graduate level" but also provided various subsidies through the Staff Welfare Committee for employee's on-job training to encourage employees to pursue higher education. In addition, the Company also established a comprehensive on-job training system to assist employee with professional skills and knowledge and expand their expertise. Besides various professional training, the Company extended the themed training in previous years and continued to promote LEAN technology and QCC in order to transform the concept and apply on the optimization of production mode. In 2020, the Company further customized courses for managers from various ranks to promote their management abilities; meanwhile, in connection with superintendents of department level, section level, team level, and sub-team level, we designed and implemented a total of 25 functional evaluation plans. In 2022, we continue to implement the diversified and flexible method that we used to carry out in the previous period. Methods, taking the parent company as an example, includes: Regular education and training: internal training for new employees, on-the-job and general education, etc., During the first half of the year, when was still engulfed by the epidemic, we continued the form of "multi-session" and "micro-courses", and small classes were held to help promote learning results and the discussion and communication between instructors and students; the training for expatriate was

arranged by the training unit. A total of 1,863 people completed training in 2022, with a total of 7327.8 training hours, and an average training time of 3.9 hours per person.

Training for executives:

1. Continued using the way of book clubs to study together. By combining digital technology, learning enthusiasm and communication are extended, and it was no longer just a single point of learning. A total of 83 people completed the training in 2022, with a participation rate of 100% and an overall satisfaction score of 4.7 (out of 5).
2. In response to organizational observations, we fast adjusted the annual plan and introduced the course of "To identify employee problem and the handling skills". A total of 54 people completed the course in two sessions, with a participation rate of 100% and an overall satisfaction score of 9.7 (out of 10).

Statistics on the implementation of education and training in 2022 as below:

Category	Female			Male			Total		
	Number of People	Training Hours	Average Training Hours	Number of People	Training Hours	Average Training Hours	Number of People	Training Hours	Average Training Hours
Director Labor	3,673	5,400	1.47	2,806	4,240	1.51	6,479	9,640	1.49
Indirect Labor	679	2,110	3.11	1,321	3,512	2.66	2,000	5,622	2.81
Management	411	1,024	2.49	555	1,485	2.68	966	2,509	2.60
Total	4,763	8,534	1.79	4,682	9,237	1.97	9,445	17,771	1.88

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

- (1) R.O.C. Accountant: 2 people.
- (2) International CIA (Certified Internal Auditor): 2 person.

8. A comprehensive staff welfare network:

Welfare system that provides a comprehensive care to employees	
•	Holiday bonuses given in the Dragon Boat Festival and Mid Autumn Festival and Birthday cash gift
•	Marriage allowance, maternity allowance
•	Funeral grant, disability grant, hospitalization subsidy, critical illness support, and group accident insurance of 1mn
•	A fixed amount lunch subsidy in staff restaurant
•	Year end dinner gather, raffle draw activity, show and art competition
•	Company trip

- | |
|---|
| <ul style="list-style-type: none"> • On-job training subsidy and grant-in-aid • Resignation subsidy, retirement subsidy |
|---|

(i) Performance of the staff welfare committee

Taiwan 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 2022, the domestic Covid-19 epidemic rapidly heated up. Due to safety reasons, various group activities continued to be suspended before October, and instead, more comprehensive welfare protection for employees was provided. We added 1 million group accident insurance for all employees free of charge (with addition \$100,000 medical insurance), and increased disease-related hospitalization, disability, and disability subsidies simultaneously. In terms of optimizing employee meal benefits, we increased meal subsidies and recruited second meal supplier to provide more diverse meal options. After the epidemic slowed down in the second half of the year, the Welfare Committee held a family day in November, sponsored employees and their families to participate in the "Agongdian Cup Marathon" and added a road running star award exclusively for employees, encouraging employees and their families to engage in health-promotion activities. In 2022, employee welfare related expenditures totaled 13.54 million, a substantial increase of 3.14 million dollars and an increase of 30.19% compared with 2021.

(ii) Comprehensive staff welfare facility:

- Multi-functional court: the construction of an indoor multi-functional court (can be used to play basketball, volleyball, and badminton).
- PE center: The opening hour of the 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, a multi-functional yoga classroom. Here is the best play for employees to carry out fitness training, throwing birthday parties and doing community activities. (It was temporarily closed due to the pandemic.)
- Staff restaurant: provide a spacious, bright, simple and warm dining place with multi-functional audio-visual equipment. The restaurant facilities are built and maintained by the Company and are handed over to the Welfare Committee for operation and management. For having a 6 dishes and 1 soup 1 unlimited drink at the staff restaurant, employees only need to pay partial cost of the meal and the Welfare Committee subsidies the remaining. While is considering different diet needs, besides separating meat diet and vegetarian diet, we also customize a Philippine diet area to reflect different nation's dietary preferences and taboos. The special diet area received

good comments. (Due to the pandemic, we temporarily changed to provide lunch box.)

- Nursery Room: Nursery Room was set for female employee, who has infant with nursing needs. The Company not only provides time for nursing but also sets up a nursing room for providing employees with a private, comfortable, and warm nursing space. Facilities in the nursery room includes table, power plugs, refrigerator that is provided exclusively for storing breast milk, sink, UV disinfection box, etc...to provide convenience for our employees.

9. In the most recent year and up to the publication date of the annual report, the parent company and its subsidiaries have not had any labor disputes. All the company systems are formulated in accordance with laws and regulations to actively safeguard labor rights and interests, and continue to promote the harmonious development of labor relations.

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 Company elects to appoint representatives from both the capital side and labor side to be the Retirement Reserve Supervisory Committee members in every four years according to laws and regulations in order to jointly manage the retirement fund. In Oct. 2022, members of the 9th Retirement Reserve Supervisory Committee were re-elected, in which 6 representatives were from the labor side and 3 representatives were from the capital side. The term of office started from November 2022 to November 2026. Currently the retirement fund management committee has 6 representatives from the labor side and 3 from the capital side. In 2022, 17 retirement application were reviewed, among which 16 was retired and 1 was relating to the settlement of seniority account.
A comprehensive pension system that also considers about humanity	<ul style="list-style-type: none"> ● In consideration of statutory requirements, all the Company's domestic employees are applicable to the labor pension system stipulated by the Ministry of Labor, and the new system (Enforcement Rules of the Labor Pension Act) or the old system (Labor Standards Act) are applied respectively according to the employee's duty date and personal wishes. Starting from March 2012, the company adjusted the retirement reserve appropriation rate to the highest level, 15%, and appropriated the highest reserve amount till now to provide highest level protection for employees to receive pension. Starting from April 2018, because there was sufficient fund in the retirement account reserve, the Company adjusted the portion of retirement fund reserve under the old system to 9% and continued make appropriations at the end of March each year into the retirement accounts of the retirement qualified labors of that year to ensure employees' right in the use of the retiring funds. ● 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 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 and as record. In 2017, after being reviewed by the Retirement Reserve Supervisory Committee, the age range of qualification to retirement has been lifted. It explicitly regulated that Fu Hsing employee, if his seniority and age adding together equals to or exceed 70, 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 measure benefits many employees who have a certain seniority but have not yet met the age requirement to retire. Senior employees who have sudden changes at home can smoothly retire from the workplace and to focus on their families, so as not to suffer losses due to not reaching the statutory retirement qualifications.

(7) Information security management

A. Management Strategy and Structure of Information Security

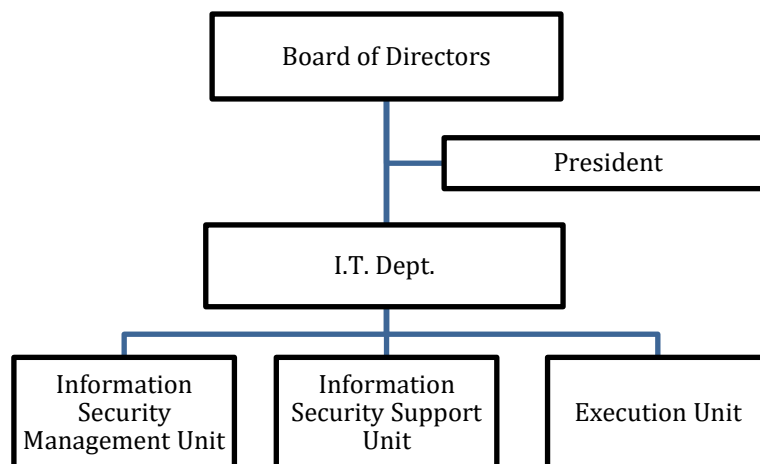
(i) Information Security Risk Management Structure

a. Governance Unit for corporate information security

Taiwan Fu Hsing Industrial Co., Ltd. established an information security risk management team in 2019. The President of the Company served as the supervisory unit, and the head of the Information Department served as the convener to regularly assess information security risks and report to the board of directors on November 4, 2022 regarding the Company's information security related measures in the near future.

The management team is responsible for the formulation, implementation, risk management and compliance checking related to information security and protection, and the head of Information Dept. summarizes and report to the President regarding information security management effect, issues in relation to information security and the execution directions.

b. Organization Structure of Information Security in Taiwan Fu Hsing Co., Ltd.



(ii) Information Security Policy

a. Information Security Policy

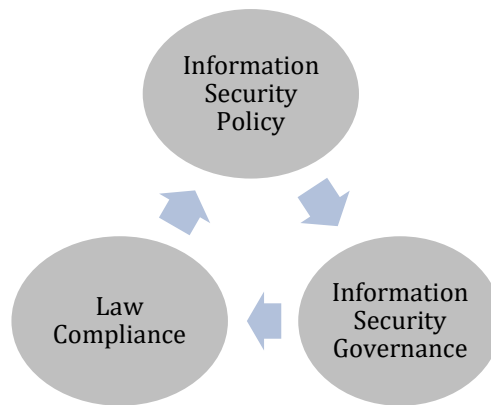
The Company formulates information security related procedures and standards, such as information security procedures booklet, methods to apply and management internal computer user's account, information equipment management methods, etc.

b. The Governance of Information Security

- (1) Establish information security standards and management, establish training to enhance employee's awareness and response abilities in the light of information security, introduce information security technology and encryption system, and conduct regular security testing.
- (2) Strengthen system's reliability, implement information system decentralization, carry out access control policies, and improve information security defense systems.

c. Law Compliance

Establish information security related standards and regulations, and conduct regular content review and revision.



d. Specific Management Measures:

(1) System Maintenance

- Real-time management of information system performance and network monitoring.
- Regular data backup and off-site backup measures, and regular system and data restoration drills and verification.
- Establish a backup line and backup equipment mechanism.

(2) Weakness & Threats

- Perform security detection measures such as the scan of host vulnerability.
- Set up protection measures, such as fire wall, antivirus, IPS active defense, mail filtering, etc...
- Regularly carry out security system updates

(3) Management on Limits to Authority

- Application is required both in computer access and system accounts and should be verified by the supervisor and management unit.
- Authority management shall be carried out in time upon employee's resignation or transfer.
- Access in and out of the Computer Room should be applied and recorded by swiping employee card for tracking purpose.

(4) Access Management and Control

- Sensitive information must be encrypted and protected, and an access authorization must be applied.
- USB disk control and control.
- Company network access must be verified by computer account.
- Introduce VPN multi-factor authentication to improve the authentication control mechanism.

(5) Operational Risks

- Invest in information security related insurance to reduce the risk of business operations.

(6) Training and Propaganda

- Regularly hold information security related education and training to enhance employees' awareness of information security.
- Irregularly conduct email social attacks to strengthen employees' awareness, and enable automatic filtering and protection mechanisms for phishing emails and virus emails.

e. The Investment that puts into Information Securities

Information Security Measures	Effects	Execution Situation
Information Security Policy	8 Company Standards related document were completed.	Revise information security regulations year by year from 2014 to 2022
Employee Training	1. All new employee completed educational training in relation to information security. 2.Regular employee's AEO annual re-training on supply chain safety.	1. There were about 175 new employees (include leave without pay > 3 months) in 2022, with a total of 87.5 training hours. 2. There were 1,222 persons receiving AEO re-training. The training hour was 1 hr/a total of 51 persons for key unit personal training. Training hour was one hour. 3. Training's completion rate: 100%.
Propaganda of Information Security	1.Irregularly send out information security related notices to enhance employees' awareness on information security 2. For phishing emails/ disguised malicious emails , the Company	1. Send out emails from time to time to promote employees' awareness of information security 2. 100% execution rate

	irregularly send out information security related notifications to remind employees to pay attention to such issues. 3. Carry out email social attack drills to increase employee's information securities awareness regarding abnormal emails.	
Information Security Inspection and Testing	Regularly appoint an information security consulting company to conduct information security inspections, make improvements for deficiencies, and enhance system protection.	1. Penetration Testing / Vulnerability Scanning 2. 100% execution rate
Information Security related Insurance	Review the status of the internal information system every year, and purchase information security insurance to prevent operational losses caused by information security incidents.	Annual execution rate: 100%

B. Risk of Information Security and the Corresponding Policy

The advancement of information technology is closely related to the changes in the entire industrial environment, especially for information security threats. The Company hopes to reduce operational risks through continuous progress in information security response measures.

(A) Information Technology's Security Risks and Management Measures

The Company deploys information security protection measures for the internal network and computer system to reduce information security threats and attacks. However, in the face of the ever-changing system loopholes, viruses and hacker attacks, it is still impossible to completely avoid network attacks from any third-party malicious behavior.

- i. For external internet behaviors, the Company has set up protection mechanisms, such as firewalls, active defense, anti-virus wall, etc...
- ii. Mail filtering system is installed to filter malicious behaviors such as phishing emails, fraudulent letters, etc. to achieve protection, and also drills in relation to phishing email attacks are held to improve employees' information security awareness.
- iii. Anti-virus software is installed on computer equipment, and the operation system and the software's safety system are regularly updated.
- iv. Important documents have been encrypted and controlled, and company

personnel and suppliers have signed confidentiality agreements to reduce the risk of data leakage.

- v. Regularly perform automatic backup, off-site backup and restore verification for important data and information systems, and establish a backup mechanism for the core system.
- vi. Network and information systems are regularly conducted information security testing (weakness scanning, penetration testing) to review internal systems and make improvements.

The Company regularly inspects the internal network and work system, and continuously improves and refines information security protection measures to reduce the threats brought by information security.

C. Major Information Security Incidents

In the most recent year and up to the date of publication of the annual report, the Company has not had any major information security incidents.

(8) Important contracts: none.

VI. Financial Situation

(1) Condensed Balance Sheets and Composite Statements of Income over the Past 5 Years

1-1. Condensed Consolidated Balance Sheet

Unit: NTD\$1,000

Year Accounts		Financial in the Past 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Current asset		\$4,653,516	\$4,987,169	\$5,649,732	\$5,664,412	\$5,472,266
Real estate, plant and facilities		2,670,603	2,800,440	2,809,471	2,539,747	3,017,461
Intangible assets		30,051	29,349	29,524	26,469	25,136
Other assets		528,616	546,258	530,792	592,762	693,358
Total assets		7,882,786	8,363,216	9,019,519	8,823,390	9,208,221
Current liability	Before distribution	1,910,288	1,873,740	2,262,408	2,089,971	1,892,438
	After distribution	2,362,573	2,363,716	2,752,384	2,542,256	2,438,949
Non-current liability		647,435	882,362	793,678	620,499	609,983
Total liabilities	Before distribution	2,557,723	2,756,102	3,056,086	2,710,470	2,502,421
	After distribution	3,010,008	3,246,078	3,546,062	3,162,755	3,048,932
Equity attributable to the parent company		5,194,018	5,460,249	5,841,526	6,053,510	6,645,037
Capital		1,884,521	1,884,521	1,884,521	1,884,521	1,884,521
Capital surplus		567,114	567,114	567,114	567,114	567,114
Retained Earnings	Before distribution	2,903,594	3,271,146	3,597,841	3,795,391	4,281,299
	After distribution	2,451,309	2,781,170	3,107,865	3,343,106	3,734,788
Others equity		-161,211	-262,532	-207,950	-193,516	-87,897

Treasury stock		—	—	—	—	—
Non Controlling interests		131,045	146,865	121,907	59,410	60,763
Total equities	Before distribution	5,325,063	5,607,114	5,963,433	6,112,920	6,705,800
	After distribution	4,872,778	5,117,138	5,473,457	5,660,635	6,159,289
Note 1: Reviewed and certified by CPA.						

1-2. Condensed individual balance sheet

Unit:: NTD\$1,000

Year		Financial in the Past 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Accounts						
Current asset		\$2,217,129	\$2,407,229	\$2,846,174	\$3,062,762	\$2,715,452
Real estate, plant and facilities		780,279	791,922	800,059	816,269	1,322,146
Intangible assets		3,084	2,510	3,581	1,568	715
Other assets		3,577,146	3,658,990	3,885,115	3,695,637	4,142,947
Total assets		6,577,638	6,860,651	7,534,929	7,576,236	8,181,260
Current liability	Before distribution	1,137,544	1,127,648	1,415,437	1,311,005	1,301,954
	After distribution	1,589,829	1,617,624	1,905,413	1,763,290	1,848,465
Non-current liability		246,076	272,754	277,966	211,721	234,269
Total liabilities	Before distribution	1,383,620	1,400,402	1,693,403	1,522,726	1,536,223
	After distribution	1,835,905	1,890,378	2,183,379	1,975,011	2,082,734
Capital		1,884,521	1,884,521	1,884,521	1,884,521	1,884,521
Capital surplus		567,114	567,114	567,114	567,114	567,114
Retained Earnings	Before distribution	2,903,594	3,271,146	3,597,841	3,795,391	4,281,299
	After distribution	2,451,309	2,781,170	3,107,865	3,343,106	3,734,788
Others equity		-161,211	-262,532	-207,950	-193,516	-87,897
Treasury stock		—	—	—	—	—
Total equities	Before distribution	5,194,018	5,460,249	5,841,526	6,053,510	6,645,037
	After distribution	4,741,733	4,970,273	5,351,550	5,601,225	6,098,526

Note 1: Reviewed and certified by CPA.

2-1 Condensed consolidated income statement

Unit: NT\$1,000

Year Accounts	Financial in the Past 5 Years (Note 1)				
	2018	2019	2020	2021	2022
Revenue (Net)	\$8,303,458	\$8,681,906	\$9,033,976	\$9,686,119	\$9,530,920
Gross margin	1,724,117	2,057,040	2,164,759	1,688,200	1,848,077
Operating profit	826,209	1,139,882	1,219,309	763,609	904,292
Non-Operation income (Expense)	149,067	14,341	-114,171	49,621	300,921
NIBT	975,276	1,154,223	1,105,138	813,230	1,205,213
Continuing operation's income	711,425	843,191	832,650	673,853	914,554
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	711,425	843,191	832,650	673,853	914,554
Other comprehensive income or loss (Net amount after tax)	-156,905	-108,207	50,657	34,494	134,261
Total comprehensive Income (Loss)	554,520	734,984	883,307	708,347	1,048,815
Net profit attributable to owner of the parent	693,117	825,693	823,839	667,479	909,759
Net Profit attributable to minority interest	18,308	17,498	8,811	6,374	4,795
Total comprehensive income attributable to owner of the parent	536,531	718,516	871,253	701,960	1,043,812
Total comprehensive income attributable to minority interest	17,989	16,468	12,054	6,387	5,003
Earnings per share (Note2)	3.68	4.38	4.37	3.54	4.83

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS (NTD\$1)

2-2Condensed individual income statement

Unit: NT\$1,000

<div>Year</div> <div>Accounts</div>	Financial in the Past 5 Years (Note 1)				
	2018	2019	2020	2021	2022
Revenue (net)	\$5,634,340	\$6,153,109	\$6,496,926	\$6,664,013	\$6,758,383
Gross margin	960,348	1,209,718	1,356,365	1,071,651	1,135,701
Operating profit	490,533	700,136	827,946	588,171	614,284
Non-Operation income (Expense)	367,772	320,813	193,826	213,038	489,897
NIBT	858,305	1,020,949	1,021,772	801,209	1,104,181
Continuing operation's income	693,117	825,693	823,839	667,479	909,759
Loss from discontinued operations	—	—	—	—	—
Net income (loss)	693,117	825,693	823,839	667,479	909,759
Other comprehensive income or loss (Net amount after tax)	-156,586	-107,177	47,414	34,481	134,053
Total comprehensive Income (Loss)	536,531	718,516	871,253	701,960	1,043,812
EPS (Note 2)	\$3.68	\$4.38	\$4.37	\$3.54	\$4.83

Note 1: Reviewed and certified by CPA

Note 2: Basic EPS (NTD\$1)

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

Year	Accounting Firm	Name of Accountants	Audit Opinion
2022	PwC Taiwan	Wang, Kuo-Hua Wu, Chien-Chih	Unqualified Opinion
2021	PwC Taiwan	Wang, Kuo-Hua Wu, Chien-Chih	Unqualified Opinion
2020	PwC Taiwan	Wang, Kuo-Hua Wu, Chien-Chih	Unqualified Opinion
2019	PwC Taiwan	Wang, Kuo-Hua Liao, A-Shen	Unqualified Opinion
2018	PwC Taiwan	Wang, Kuo-Hua Liao, A-Shen	Unqualified Opinion

(2) Financial analysis over the Past 5 Years

1. Analysis on consolidated Financial

<div>Year</div> <div>Analysis Factor (Note2)</div>		Financial analysis in the Past 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure %	Debt ratio	32.45	32.96	33.88	30.72	27.18
	Ratio of L-T Capital to Fixed Assets, plants, and equipment	223.64	231.73	240.51	265.12	242.45
Solvency%	Current ratio	243.60	266.16	249.72	271.03	289.16
	Quick ratio	188.31	212.36	191.59	192.42	219.51
	Times interest earned	385.72	148.73	154.24	139.28	197.77
operating ability	Account receivable turnover (times)	5.49	5.76	5.41	5.30	5.80
	Average Collection Days	66	63	67	68	62
	Inventory turnover (times)	6.59	6.46	5.88	5.35	5.08
	Account payable turnover (times)	5.56	6.05	5.62	5.73	6.52
	Average days sales in inventory	55	56	62	68	71
	Fixed properties, plants and equipment turnover (times)	3.45	3.17	3.22	3.62	3.43
	Total assets turnover (times)	1.08	1.07	1.04	1.09	1.06
Profitability	Return on assets (%)	9.05	10.24	9.55	7.53	10.15
	Return on Equity (%)	13.23	15.11	14.24	11.05	14.19
	NIBT to Paid-in-Capital (%)	51.75	61.25	58.64	43.15	63.95
	Profit margin (%)	8.35	9.51	9.12	6.89	9.55
	EPS (dollar)	\$3.68	\$4.38	\$4.37	\$3.54	\$4.83
Cash Flow	Cash flow ratio (%)	29.48	67.54	10.14	38.33	72.6
	Cash flow adequacy ratio (%)	114.70	126.14	97.17	76.14	90.39

	Cash re-investment ratio (%)	2.68	10.79	-3.29	3.87	10.76
Leverage	Operation leverage	2.59	2.09	2.03	2.77	3.10
	Financial leverage	1.00	1.01	1.01	1.01	1.01

Note 1: Reviewed and certified by CPA.

Analysis on more than 20% changes in the ratios over the most recent two fiscal years:

- (1) The increase of Times Interest Earned, ROA, ROE, NIBT to Paid in Capital (%), Net Profit Margin, EPs: mainly due to exchange gain recognized from favorable depreciation of currency rates in NTD and RMB, the net profit before tax and after tax increased compared with 2021.
- (2) The increase of Cash Flow Ratio and Cash Re-Investment Ratio: mainly due to the increase of pre-tax net profit and increase in net cash inflows from operating activities.

Note 2: Formulas:

1. Financial structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of Permanent Capital to Fixed Assets, plants, and equipment = (Total equity + non-current liabilities) / Net amount of fixed properties, plants 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 = 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 accountable 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 payable (including Account payable and Notes payable arising from operations)
- (5) Average days sales in Inventory = 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 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 3: 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 year-end 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 4: 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 5: 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 6: If the company's securities have no face value or face value other than NT\$10, the aforementioned 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.

2. Analysis on individual financial status

<div>Year</div> <div>Analysis list (Note 2)</div>		Financial analysis in the Past 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure %	Debt ratio	21.04	20.41	22.74	20.10	18.78
	Ratio of Permanent Capital to Fixed Assets, plants, and equipment	697.20	723.94	764.88	767.54	520.31
Solvency%	Current ratio	194.90	213.47	201.08	233.62	208.57
	Quick ratio	166.57	174.70	170.26	179.70	171.36
	Times interest earned	66,024	127,620	12,615	1,603	5,234
operating ability	Account receivable turnover (times)	6.04	6.52	5.99	5.58	6.02
	Average Collection Days	60	55	60	65	60
	Inventory turnover (times)	14.36	12.37	11.00	8.96	8.54
	Account payable turnover (times)	6.28	7.89	7.48	6.78	7.61
	Average Days Sales in Inventory	25	29	33	40	42
	Fixed properties, plants and equipment turnover (times)	7.37	7.78	8.12	8.23	6.31
	Total assets turnover (times)	0.86	0.91	0.90	0.88	0.86
Profitability	Return on assets (%)	10.66	12.29	11.45	8.84	11.55
	Return on Equity (%)	13.55	15.50	14.58	11.22	14.33
	NIBT to Paid-in-Capital (%)	45.54	54.18	54.22	42.52	58.59
	Profit margin (%)	12.38	13.49	12.74	10.03	13.48
	EPS (dollar)	\$3.68	\$4.38	\$4.37	\$3.54	\$4.83
Cash Flow	Cash flow ratio (%)	40.49	71.63	22.64	70.52	64.69
	Cash flow adequacy ratio (%)	126.32	138.47	122.96	115.11	101.30
	Cash re-investment ratio (%)	1.55	6.23	-2.81	6.66	5.46
Leverage	Operation leverage	3.95	3.40	3.49	4.41	4.97
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Note1. Reviewed and certified by CPA.

Analysis on more than 20% changes in the ratios over the most recent two fiscal years:

- (1) The decrease in Ratio of Permanent Capital to Fixed Assets, plants, and equipment: mainly due to the procurement of factory of 510mn in 2022.

-
- (2) The decrease in fixed properties, plants and equipment turnover (times): same reason as (1).
 - (3) The increase of Times Interest Earned, ROA, ROE, NIBT to Paid in Capital (%), Net Profit Margin, EPs: mainly due to exchange gain recognized from favorable depreciation of currency rate, the net profit before tax and after tax increased compared with 2021.

Note 2: Formulas:

1. Financial structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of Permanent Capital to Fixed Assets, plants, and equipment = (Total equity + non-current liabilities) / Net amount of fixed properties, plants 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 = 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 payable (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 3. 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 year-end 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 4: 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 5: 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 6: If the company's securities have no face value or face value other than NT\$10, the aforementioned 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) Audit Committee's audit statement on the most recent fiscal year's financial report

Taiwan Fu Hsing Audit Committee's Audit Statement

Attn: Taiwan Fu Hsing Industrial Co., Ltd. 2023 General Shareholders' Meeting

In accordance with the Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee have examined the company's operation report and motions of earnings distribution along with the company's consolidated financial reports and the individual financial reports that were audited and signed by Accountants, Wang, Kuo-Hua and Wu, Chien-Chih, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2022, and found them in order.

Audit Committee of Taiwan Fu Hsing Industrial Co., Ltd.

Convener: Chang, Ling-Ling

March 8th, 2023

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

(5) The CPA certified individual company's financial statements of the most recent fiscal year: please refer to Attachment II.

(6) In the most fiscal year and up until the printing date of this annual report, if the Company and its

affiliated companies have financial difficulties, what's the influences on the Company's financial

situation: None.

VII The Review and Analysis of the Company's Financial Situation and Financial Performance and the related Risk Management

(1) Two year comparisons on financial situation

Unit: NT\$1,000

Item \ Year	2022	2021	Decrease/Increase in Amount	Decrease/Increase In %
Current assets	\$5,472,266	\$5,664,412	-\$192,146	-3%
Fund & Investments	498,594	382,952	115,642	30%
Real estate, factory and equipment	3,017,461	2,539,747	477,714	19%
Other assets	219,900	236,279	-16,379	-7%
Total assets	9,208,221	8,823,390	384,831	4%
Current liabilities	1,892,438	2,089,971	-197,533	-9%
Non-current liabilities	609,983	620,499	-10,516	-2%
Total liabilities	2,502,421	2,710,470	-208,049	-8%
Capital	1,884,521	1,884,521	-	-
Capital surplus	567,114	567,114	-	-
Retained earnings	4,281,299	3,795,391	485,908	13%
Other equity	-87,897	-193,516	105,619	55%
Minor interests	60,763	59,410	1,353	2%
Total shareholder's equity	6,705,800	6,112,920	592,880	10%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) The increase in Fund & Investments: mainly due to the increase in the stock investment (financial assets at fair price through other comprehensive income) in public companies and valuation adjustment following the changes in the market prices at the end of the period.</p> <p>(2) Increase in Other equity: mainly due to the valuation adjustment as mentioned in (1) and the changes in exchange differences in the translation of financial statements of foreign operating institutions.</p> <p>2. Impacts of the changes: No significant influence to the Company's financial situation.</p> <p>3. Future plan to meet the changes: Not applicable.</p>				

(2) Two year comparison on the financial performance

Unit: NT\$1,000

Item \ Year	2022	2021	Increase / Decrease In amount	Increase/Decrease n %
Total sales (net)	9,530,920	9,686,119	-155,199	-2%
Operating Cost	7,682,843	7,997,919	-315,076	-4%
Gross Margin	1,848,077	1,688,200	159,877	9%
Operating Expenses	943,785	924,591	19,194	2%
Operating Profit	904,292	763,609	140,683	18%
Non-operating income and expenses	300,921	49,621	251,300	506%
Net income before tax	1,205,213	813,230	391,983	48%
Tax	290,659	139,377	151,282	109%
Net income after tax	914,554	673,853	240,701	36%
Other comprehensive income (after tax – net)	134,261	34,494	99,767	289%
Total comprehensive income	1,048,815	708,347	340,468	48%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) The increase in non-operating income and expenses: mainly due to the increase of about \$320mn in foreign currency exchange gain in 2022 compared with in 2021.</p> <p>(2) The increase in Net income before tax: mainly due to the enhancement of gross margin resulting from the depreciation of NTD and RMB.</p> <p>(3) The increase in Tax: mainly due to the increase of profits.</p> <p>(4) The increase in Net income after tax: mainly due to the effects of (2) and (3).</p> <p>(5) The increase in Other comprehensive income (after tax - net): mainly due to the increase in unrealized evaluation gains and losses of equity instrument measured at fair value through other comprehensive gains and losses in 2022, and the increase in exchange differences in the translation of financial statements of foreign operating institutions.</p> <p>(6) The increase in Total comprehensive income: mainly due to the combined effects of (2), (3), and (5).</p> <p>2. Estimated sales volume in the future year and the basis: according to our experiences in the past and the observations of the trend of future industrial growth, we expect to sell 40,000~45,000 thousand units in 2023.</p> <p>3. Possible influences on the company's future financial situation and the encountering measures: No significant influences on financial situation.</p> <p>4. Future plan to meet the changes: Not applicable.</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	2022	2021	Changes	
			Amount	%
Net cash flow	\$419,715	\$287,064	\$132,651	46%
<p>(1) The increase in net cash flow in 2022 compared to 2021 was mainly due to good operating profit in 2022 resulting in more net cash inflows from operating activities.</p> <p>(2) Improvement plan for insufficient liquidity: the Company has sufficient cash, and there is no insufficient liquidity problem.</p>				

2. Liquidity Analysis for the future one 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
\$2,439,034	\$8,812,428	\$8,640,382	\$2,611,080	-	-
<p>(1) Analysis on the estimated cash flow changes in 2023:</p> <p>A. Operation activity: Expect the Company can still maintain stable profit and cash inflow.</p> <p>B. Investment activity: Continued expenditures on equipment procurement and facility replacement are expected.</p> <p>C. Financing activity: Expect to have cash outflows due to cash dividend distribution.</p> <p>(2) The make-up plan for insufficient cash, and the analysis on solvency: We expect cash is enough in 2023.</p>					

(4) Influences of major capital expenditure plan in the recent fiscal year:

The company's major capital expenditures in recent years mainly came from self-owned funds, and there is no major adverse impact on the company's financial situation.

(5) Main reason for the profit or loss of its invested company in the current year, and the improvement plan and investment plan in the future year:

Current strategy to make investment is focus on the expansion of product lines, and promotion of operation synergy and overall competitiveness. In 2022, the Company recognized NT\$301,900 thousand dollars as profits from re-investments under equity method (i.e. profits from subsidiaries). The overall operation conditions in relation to such re-investments under equity method were good. In this year, we will continue to carefully evaluate investment projects based on our long-term strategic view to meet the need of operational development.

(6) Assessment of Risks

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	Investment Management Team	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	Investment Management Team	CEO Office	
Compliance to company standards and regulations	Superintendents of all the levels	Audit	
Litigation & Non-litigation issues	Legal affairs Team	President Office	
Shareholding changes among directors, supervisors, and major shareholders	Legal affairs Team	President Office	
Execution and management of the Board Meeting	Legal affairs Team	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 the past year, the depreciation of NTD and the RMB against USD has positively helped the Company's operating results; however, the fluctuations in the price of bulk metal materials have brought challenges to the Company's operating results and costs. The Company will continue to adopt appropriate hedge measure for exchange rates and raw materials, and actively promote VAVE, the development of new products and other value-enhancing improvements to strengthen competitiveness.

The responses to risks are listed as below:

- (1) Response to risks of interest rate: the Company has stable profits and sufficient working capital. We adopts floating interest rates for bank loans. Because there are loose funds in current market and interest rates are still maintained at low levels, we expect the interest rate risks will not be too large.
- (2) Response to risks of exchange rate: the Company is mainly doing exporting business, so exchange rate fluctuation does have direct effects on exporting sales. We will continue

to carry out appropriate hedge strategy by forward selling and increase import purchases with the expectation to reduce the exchange rate fluctuation risk.

- (3) Response to risks of inflation: although the prices of international energy and bulk raw materials have recently stabilized, the Company will continue to review the suitability of various consumption, and through measures such as research and development of alternative materials, control of procurement costs, and reduction of unnecessary expenditures, we expect to utilize resources more effectively and to reduce operating pressure.

3. Main cause of profit or loss resulted from carrying out high risk, high leverage investment, loaning fund to others, endorsements and guarantees, and strategy on derivative merchandises transactions; and the countermeasures in the future:

(1) When loaning funds to others, making endorsements/guarantees, and carrying out transactions in relation to derivatives, other than the need to comply with according laws and regulations, the Company also regulates to handle such transactions in accordance with the established "Work Procedures to loan funds to others", "Work Procedures to make endorsement/guarantees", and "Work Procedures to involve in derivative merchandise transactions".

(2) Derivative merchandise transactions that the Company involves include forex option for hedge purpose, forward foreign exchange transactions, and bulk materials metal future options. The purpose is to evade risks in relation to foreign exchange rate fluctuation for export business and reduce pricing fluctuation risks of metal materials.

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

(1) Mechanic door lock:

a. For home use door lock, the focus is put on the market of residential complex 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 markets and channels in the needs of product appearance, mechanical strength, fitting, and others, and continuously promoting products series with better surface process to provide more color selections and satisfy customers with more diverse home design styles.

b. For commercial use medium to heavy door products, the focus will be using ANSI/BHMA Grade 1 products and obtaining UL fire certification to meet the building regulations of various regions, continuing to add different functions and provide more complete product line, and developing special functional surface treatment (such as antibacterial coatings) to meet specific market needs. We will move toward the development of commercial products with modern exterior and styles, the enhancement on the matching of household products and commercial products to meet the needs of collective housing, the expansion of market

coverage, and the ultimate goal of breaking the high-tech threshold and providing high value added products.

- c. The Company has become one of the members in the Builders Hardware Manufacturer Association (BHMA), thus we can react more timely and quickly to product certification updates, regulation changes, and others. In addition to our commercial door lock products that have obtained US standard BHMA certification labor, our household product line also continues to obtain the BHMA certification labor. In response to the trend of horizontal integration in the future, we will further expand our lab's test elements and abilities and continue to strengthen our products' competitiveness in all the markets.

(2) Electronic door lock:

- a. The existing individual version of the product line is becoming more and more complete. In addition to having a variety of options for input interfaces, including key-type, touch-panel type, and thin-film key-pad electronic locks, we will continue to expand the product line of biometric electronic locks. We'll continuously optimize products, enhance product price competitiveness, and differentiate product appearance for different customers to increase sales breadth.
- b. While more and more electronic products are able to connect to smart phones, we have developed electronic locks with Bluetooth connection function, and plan to integrate the products with cloud system and wifi technology, upgrade Bluetooth door lock to have remote control function, and complete the development of electronic locks with Z-wave smartstart technology. We will continue to watch on the development trend of IoT, including the new IoT technology and the protocol related applications, and take a further step to integrate cell phone's APP interface and smart speakers, such as Google Nest, Amazon Echo, etc..., and connect with other IoT devices to create a brand new application and user experiences.
- c. For commercial use electronic door locks, the market always requires more intense integration power in electro-mechanical technology and software. With the strengths in the mechanic door lock's manufacturing ability, R&D ability, and professional supports from its partners, Taiwan Fu Hsing, is able to develop a comprehensive door lock system in the light of commercial door lock's use environment, like in residential complex, using the support of technologies to meet today's trend, lower consumer's burden in public area's access control management, and meet consumer's demand.

(3) The planned R&D investment: The planned R&D expense in 2023 is NT195,219 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:

There was no impact on the Company's financial operations due to the changes in domestic major policies or regulations. Besides, the Company centers on developed nations, such as U.S. and EU, where have relatively stable regulations and policies, so foreign policies and regulations should not cause significant influence on our financial situation. However, we will still keep an eye on the external changes.

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:

(1) The company has introduced in the ERP system and will keep improving the system and integrating resources, so that we are able to review from timely information to response quickly to market demands and modify the Company's operational strategy.

(2) In recent years, consumers had more demands from door lock, no matter in the safety, function, or appearances, and this was especially obvious in the market of electronic door locks. Hence, for further cultivating the market and keeping our leading position, Taiwan Fu Hsing has actively integrated our products with computer software, smart phone applications, and wireless communication technologies to keep developing products with high competitiveness.

(3) The advancement of information technology is closely related to changes in the entire industrial environment, especially for information security threats. The company has deployed information security protection measures for the internal network and computer systems to reduce information security threats and attacks. In the face of ever-changing system vulnerabilities, viruses and hacker attacks, the company continuously improves and optimizes information security protection measures through proactive defense behaviors, such as establishing firewalls, establishing email filtering systems, installing antivirus software, and regularly conducting information security inspections. Reduce the threat posed by information security.

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: There is no significant merger or acquisition project.

9. Expected benefits and possible risks associated with any plant expansion, and

mitigation measures being or to be taken:
There is no major factory expansion project.

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 significant risk and mitigation measures being or to be taken: No other significant risks.

(7) Other important matters: None.

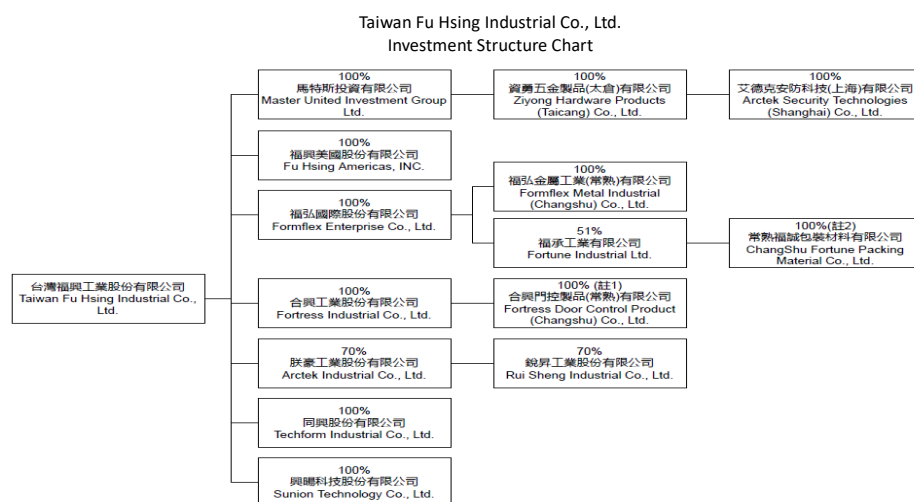
VIII Special Notes

(1) Disclosure regarding affiliated companies

I. Organization status of the affiliated companies

(1) Organization chart of the affiliated companies

Data drawn on Dec. 31st, 2022



Note 1: Fortress Door Control Product (Changshu) Co., Ltd. passed the resolution in the shareholders' meeting to suspend operations and cancel the registration, and the relevant procedures are being processed.
Note 2: ChangShu Fortune Packing Material Co., Ltd. passed the resolution in the shareholders' meeting to suspend operations and cancel the registration, and the relevant procedures are being processed.

(2) 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.

(3) 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.

II. Information on affiliated companies

Date Drawn on Dec. 31st, 2022

Unit: NT\$1,000

企業名稱 Name of Enterprise	設立日期 Founding Date	地址 Address	實收資本額 capital	主要營業或生產專案 Business Scope
FU HSING AMERICAS, INC. 福興美國股份有限公司	May 25 th , 1999	1424 Buford Business Boulevard Suite #100 Buford, GA 30518	9,637	Distribution of door locks and door closer related products.
Master United Investment Group Ltd. 馬斯特投資有限公司	Jan. 23 rd , 1998	P.O.BOX3321,Road Town, Tortola, BRITISH VIRGIN ISLANDS	538,240	Reinvestment business.
Ziyong Hardware Products (Taichang) Co., Ltd. 資勇五金製品(太倉)有限公司	Mar. 27 th , 1998	Next to National Highway 204 in Nanjiao Dist., Chengxiang Town, Taichang City, Jiangsu Province, P.R.C.	512,839	The manufacture, process, and sales of metal stamping products and the related surface treatment (painting)
Fortress Industrial Co., Ltd. 合興工業股份有限公司	May 16 th , 2012	No.103, Hsingong 1 st Rd., Dahsing Village, Beidou Township, Changhua County, Taiwan R.O.C.	399,300	The production and sale of door closer, panic exits and hinges related products.
Arctek (Shanghai) Safety Protection Technology Co., Ltd. 艾德克安防科技(上海)有限公司	Mar. 16 th , 2012	No.11, 4F, Room 412, Allay 4666, Gonghexin Rd., Xiabei Dist., Shanghai City, P.R.C.	107,746	The sale of door closer and door hinge and floor hinge related products.
Formflex Enterprise Co., Ltd. 福弘國際股份有限公司	Feb. 1 st , 2005	Unit 25, 2 nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	741,744	Reinvestment business.
Formflex Metal Industrial (Changshu) Co., Ltd. 福弘金屬工業(常熟)有限公司	May 12 th , 2005	No.120, Huangpujiang Rd., Changshou National New & Hi-tech Industrial Development Zone, Jiangsu Province, P.R.C.	735,090	The production and sale of door locks and related parts
Fortune Industrial Ltd. 福承工業有限公司	Aug. 3 rd , 2007	Unit 25, 2 nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	13,133	Reinvestment business.
ChangShu Fortune Packing Material Co., Ltd. (Note 1) 常熟福誠包裝材料有限公司	Oct. 11 th , 2007	Huangpujiang Rd., Southeast Economic Development Zone, Changshu, Jiangsu Province, P.R.C.	13,133	The production of packaging materials and plastic parts
Arctek Industrial Co., Ltd. 朕豪工業股份有限公司	Jul. 27, 1994	No. 1, Sihai Rd. Sec. 1, Beidou Township, Changhua County, Taiwan R.O.C.	83,400	The production and sale of upper/lower hinge related products
Rui Sheng Industrial Co., Ltd. 銳昇工業股份有限公司	Apr. 28 th , 2009	No. 1, Sihai Rd. Sec. 1, Beidou Township, Changhua County, Taiwan R.O.C.	10,800	The production and sale of upper/lower hinge related products
Fortress Door Control Product (Changshu) Co., Ltd. (Note 2) 合興門控製品(常熟)有限	Mar. 12, 2014	High Tech Industrial Development Zone in Huangpujiang Rd.,	90,750	The manufacturing of door closer related products

公司		Changshu, Jiangsu Province, P.R.C.		
Techform Industrial Co., Ltd. 同興股份有限公司	Dec. 16, 2014	No.12, Bengong Rd., Kangshan Dist., Kaohsiung, R.O.C.	800,000	The processing and sale of hardware products
Sunion Technology Co., Ltd. 興暘科技股份有限公司	Aug. 16, 2019	No.69, 6F, Guangfu Rd., Sanchong Dist., New Taipei City, R.O.C.	41,000	The production and sale of parts for electronic locks

(Note1) The company passed the resolution in the shareholders' meeting on 10/20/2022 to suspend operations and cancel the registration, and the relevant procedures are being processed.

(Note 2)The company passed the resolution in the shareholders' meeting on 06/20/2022 to suspend operations and cancel the registration, and the relevant procedures are being processed.

III. Having the same shareholders in the controlling and affiliated company defined in the Company Act: None.

IV. Industries involved by the overall affiliated companies

- i. Business of the company and affiliated companies: including manufacturing industry and investment industry.
- ii. The company is mainly involved in the manufacturing and sales of door lock and door related metal accessories. Based on 2022 operations, the operation involving affiliated companies are stated as below:

The transaction among affiliated companies:

A. Sales Transaction:

Unit:NTD1,000

Item	Affiliated Party		2022
Merchandises sales	Subsidiary	FHA	\$40,069
		Others	3,956
Labor sales	Subsidiary	Formflex (Changshu)	3,212
		Others	7,727
Total			\$54,964

B. Purchase Transaction:

Unit: NTD1,000

Item	Affiliated Party		2022
Merchandises Procurement	Subsidiary	Formflex (Changshu)	\$1,601,162
		Tong Hsing	525,660
		Sunion	173,558
		Ziyong (Taichang)	73,310

		Others	3,735
Labor expenditures	Subsidiary	F.H.A.	58,356
Total			\$2,435,781

V. Loaning of funds situation

Unit: NT1,000

Borrower	Accounts	Whether the borrower is a related party	The highest amount endorsed during the period	Ending balance in the period	Amount actually used	The range of interest rate	Type of the fund	Amount of business transaction involved	Reason for short term financial needs	Allowance for bad debt amount appropriated	Collateral		Ceiling of funds loaned to a single company	Ceiling of Total Loan Fund	Note
											Name	Value			
Arctek Security Technologies (Shanghai) Co., Ltd.	Other Account Receivable – Related party	Yes	\$139,184	\$70,496	\$70,496	2.00	Note 1(2)	-\$-	As working capital	-\$-	None	-\$-	\$187,717	\$281,576	Note2

Note 1. Meaning of marks on the cell of Type of the Fund

(1) Has business relationship; (2) Has short time financing need

Note 2. According to the Company's "Operational Procedures for the Making of endorsement/guarantee to Others", the ceiling of the total fund that lend to others and the reason is stated respectively as below:

- Should the fund is loaning to a company or a business that has business relationship with the Company, the total amount of the loan must not exceed 20% of the company's net worth.
The ceiling amount of a loan with an individual party must not exceed the total transaction amount with that individual party in the most recent one year.
- Should the fund is loaning to a company or a business that has short term financing needs, the total loaning amount must not exceed 10% of the company's net worth.
The ceiling amount of a loan with an individual party must not exceed 50% of the Company's net worth as stated on the company's financial statement in the most recent year.
- Should the loan transaction is carried out among subsidiaries that are both having the same mother company and has the need of short term financing need, the total loan amount must not exceed 30% of the net worth as stated in the borrowing subsidiary's financial statement.
The loaning amount for individual party must not exceed 20% of the loaning subsidiary's net worth.

VI. Endorsement and guarantees provided for affiliated companies: None.

VII. Directors, supervisors, presidents of the affiliated companies

Data drawn on Dec. 31, 2022				
Name of Business	Title	Name or Representative	Holding Shares	
			Shares	Holding %
FU HSING AMERICAS, INC.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chu, Jung-He	300,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Jui-Chang		
Master United Investment Group Ltd.	Chairman (representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chen, Chien-Kun	1,560,000	100
Ziyong Hardware Products (Taichang) Co., Ltd.	Chairman (Representative of Master United Investment Group Ltd.)	Chen, Chien-Kun	Limited company, not applicable	100
	Director (Representative of Master United Investment Group Ltd.)	Lin, Wen-Hsing		
	Director (Representative of Master United Investment Group Ltd.)	Lin, Teng-Tsai		
	Director (Representative of Master United Investment Group Ltd.)	Shih, Chin-Hung		
	Director (Representative of Master United Investment Group Ltd.)	Chu, Jung-He		
	Supervisor (Representative of Master United Investment Group Ltd.)	Wang, Yu-Wen		
Formflex Enterprise Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chen, Chien-Kun	23,704,000	100
Fortress Industrial Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Jui-Chang	39,930,000	100
	Vice Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chu, Jung-He	39,930,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chen, Chien-Kun	39,930,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Liu, Ju-Shan	39,930,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Tzu-Hsuan	39,930,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Huang, Fu-Ti	39,930,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Li, Kuo-Wei	39,930,000	100
Arctek (Shanghai) Safety Protection Technology Co., Ltd.	Chairman (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	Lin, Tzu-Hsuan	Limited company, not applicable	100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	Lin, Jui-Chang		
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	Chen, Chien-Kun		
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	Lin, Teng-Tsai		

	Supervisor (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	Wang, Yu-Wen		
Formflex Metal Industrial (Changshu) Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Supervisor (Representative of Formflex Enterprise Co., Ltd.)	Chen, Chien-Kun Chen, Yung-Chih Lin, Teng-Tsai Chu, Jung-He Lin, Wen-Hsing Li, Kuo-Wei	Limited company, not applicable	100
Fortune Industrial Ltd.	Chairman Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.)	Tsai, Ching-Chin Lin, Teng-Tsai Chen, Yung-Chih	19600	49
			204,000	51
Changshu Fortune Packing Material Co., Ltd. (Note1)	Chairman (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Supervisor (Representative of Formflex Enterprise Co., Ltd.)	Tsai, Ching-Chin Lin, Teng-Tsai Chen, Yung-Chih Li, Kuo-Wei	Limited company, not applicable	100
ARCTEK Industrial Co., Ltd.	Chairman	Lin, Jui-Chang	0	0
	Director	Chen, Chien-Kun	0	0
	Director	Chu, Jung-He	0	0
	Director	Lin, Hung-Yueh	0	0
	Director	Tsao, Yung-Chuan	0	0
	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-He	0	0
	Director	Tsao, Yung-Chuan	0	0
	Director	Tai, Hsu-Sung	216,000	20
	Director	Tai, Li-Kai	108,000	10
	Supervisor (Representative of ARCTEK Industrial Co., Ltd.)	Li, Kuo-Wei	756,000	70
	Supervisor (Representative of ARCTEK Industrial Co., Ltd.)	Tai, Tzu-Chin	756,000	70
Fortress Door Control Product (Changshu) Co., Ltd. (Note 2)	Chairman (Representative of Fortress Industrial Co., Ltd.) Director (Representative of Fortress Industrial Co., Ltd.) Director (Representative of Fortress Industrial Co., Ltd.) Director Representative of Fortress Industrial Co., Ltd.) Director Representative of Fortress Industrial Co., Ltd.) Supervisor (Representative of Fortress Industrial Co., Ltd.)	Chen, Chien-Kun Chu, Jung-He Lin, Teng-Tsai Lin, Wen-Hsing Lin, Tzu-Hsuan Li, Kuo-Wei	Limited company, not applicable	100

Techform Industrial Ltd.	Co.,	Chairman(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Jui-Chang	80,000,000	100
		Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chen, -Chien-Kun	80,000,000	100
		Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Teng-Tsai	80,000,000	100
		Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Tzu-Hsuan	80,000,000	100
		Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Li, Kuo-Wei	80,000,000	100
Sunion Technology Ltd.	Co.,	Chairman(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Chu, Jung-He	4,100,000	100
		Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	Lin, Jui-Chang	4,100,000	100
		Director(Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	Lin, Tzu-Hsuan	4,100,000	100
		Director(Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	Lin, Shih-Huang	4,100,000	100
		Director(Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	Chen, Yu-Lung	4,100,000	100
		Supervisor (Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	Li, Kuo-Wei	4,100,000	100
		Supervisor (Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	Lin, Tzu-Yang	4,100,000	100
		Hsing Industrial Co. Ltd.)			

(Note1) The company passed the resolution in the shareholders' meeting on 10/20/2022 to suspend operations and cancel the registration, and the relevant procedures are being processed.

(Note 2)The company passed the resolution in the shareholders' meeting on 06/20/2022 to suspend operations and cancel the registration, and the relevant procedures are being processed.

VIII. Financial situation and operation results of the Company's affiliated companies

Data drawn on Dec. 31st, 2022

Unit: NT\$1,000

Name of Business	Capital	Total Asset	Total Liability	Net Worth	Revenues	Operation Profits	Net Income	EPS (loss)
							(After Tax)	(in NT\$1) (after tax)
FU HSING AMERICAS, INC.	9,637	176,652	6,823	169,829	185,251	21,207	15,432	51.44
Master United Investment Group Ltd.	538,240	676,307	-	676,307	-	-	14,084	9.03
Ziyong Hardware Products (Taichang) Co., Ltd.	512,839	920,231	244,802	675,429	1,096,720	1,579	14,083	(Note 1)
Arcetek (Shanghai) Safety Protection Technology Co., Ltd.	107,746	16,069	73,433	(57,364)	13,419	(6,138)	(7,487)	(Note 1)
Formflex Enterprise Co, Ltd.	741,744	987,457	-	987,457	-	(142)	127,874	5.39
Formflex Metal Industrial (Changshu) Co., Ltd.	735,090	1,252,781	315,367	937,414	1,697,695	126,948	129,702	(Note1)
Fortune Industrial Ltd.	13,133	20,628	-	20,628	-	-	(4,212)	(20.65)
Changshu Fortune Packing Material Co., Ltd. (Note 2)	13,133	24,797	10,824	13,973	39,896	(4,027)	(4,212)	(Note 1)
ARCTEK	83,400	221,794	90,533	131,261	329,354	13,040	16,211	1,943.76

Industrial Co., Ltd.								
Rui Sheng Industrial Co., Ltd.	10,800	54,933	13,156	41,777	45,585	5,762	6,430	5.95
Fortress Industrial Co., Ltd.	399,300	1,074,355	322,546	751,809	1,545,181	101,208	97,965	2.45
Fortress Door Control Product (Changshu) Co., Ltd. (Note 3)	90,750	61,820	12,499	49,321	85,348	(23,352)	(24,353)	(Note 1)
Techform Industrial Co., Ltd.	800,000	1,275,439	485,293	790,146	685,977	13,745	9,611	0.12
Sunion Technology Co., Ltd.	41,000	87,504	29,132	58,372	192,233	19,250	15,622	3.81

Note 1: Limited company, not applicable

Note2: The company passed the resolution in the shareholders' meeting on 10/20/2022 to suspend operations and cancel the registration, and the relevant procedures are being processed.

Note 3: The company passed the resolution in the shareholders' meeting on 06/20/2022 to suspend operations and cancel the registration, and the relevant procedures are being processed.

(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.

IX Situations Listed in Article 36, Paragraph 3, Sub-paragraph 2 of the Securities and Exchange Act that Might Materially Affect Shareholder's Equity or The Company's Stock Price: None

(This is a translation of the Chinese Annual Report. In case there is any discrepancy in the contents between the English and Chinese version, the Chinese version shall prevail.)

**TAIWAN FU HSING INDUSTRIAL CO. LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Taiwan Fu Hsing Industrial Co., Ltd.

Representative: LIN, DUAN-ZHANG

March 8, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000375

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

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Fu Hsing Industrial Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Cut-off of export sales revenue recognition

Description

Please refer to Note 4(28) for accounting policies on revenue recognition.

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

How our audit addressed the matter

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

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

Allowance for inventory valuation losses

Description

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

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

How our audit addressed the matter

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

- A. We assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates; and
- B. We verified that the information on the inventory valuation loss statement was consistent with its policies, randomly checked individual inventory number and inventory clearance, and then assessed the appropriateness of allowance for inventory valuation losses.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors. Total assets of these subsidiaries amounted to NT\$69,483 thousand and NT\$58,899 thousand, constituting 0.75% and 0.67% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and the operating revenue amounted to NT\$16,736 thousand and NT\$20,547 thousand, constituting 0.18% and 0.21% of the consolidated total operating revenue for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Taiwan Fu Hsing Industrial Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Wang, Kuo-Hua

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,439,034	27	\$ 2,019,319	23
1110	Financial assets at fair value through profit or loss - current	6(2)	136,718	1	42,376	-
1136	Current financial assets at amortised cost, net	6(3) and 8	50,582	1	75,494	1
1150	Notes receivable, net	6(4)	36,927	-	46,682	-
1170	Accounts receivable, net	6(4)	1,422,112	15	1,775,837	20
130X	Inventories	6(5)	1,234,644	13	1,547,997	18
1476	Other current financial assets		12,868	-	14,563	-
1479	Other current assets, others	6(6)	139,381	2	142,144	2
11XX	Current Assets		5,472,266	59	5,664,412	64
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	498,594	6	382,952	4
1600	Property, plant and equipment	6(8) and 8	3,017,461	33	2,539,747	29
1755	Right-of-use assets	6(9)	77,335	1	32,888	1
1780	Intangible assets	6(10)	25,136	-	26,469	-
1840	Deferred income tax assets	6(24)	86,410	1	106,381	1
1980	Other non-current financial assets	8	12,632	-	15,387	-
1990	Other non-current assets, others	6(11)	18,387	-	55,154	1
15XX	Non-current assets		3,735,955	41	3,158,978	36
1XXX	Total assets		\$ 9,208,221	100	\$ 8,823,390	100

(Continued)

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 7,082	-	\$ 10,290	-
2170	Accounts payable		965,321	10	1,374,094	16
2200	Other payables	6(12)	730,463	8	566,738	6
2230	Current income tax liabilities		140,713	1	78,838	1
2399	Other current liabilities, others	6(13) and 8	48,859	1	60,011	1
21XX	Current Liabilities		1,892,438	20	2,089,971	24
Non-current liabilities						
2540	Long-term borrowings	6(13) and 8	359,389	4	379,878	4
2570	Deferred income tax liabilities	6(24)	162,900	2	135,947	2
2580	Non-current lease liabilities		42,159	-	-	-
2640	Accrued pension liabilities	6(14)	45,535	1	104,674	1
25XX	Non-current liabilities		609,983	7	620,499	7
2XXX	Total Liabilities		2,502,421	27	2,710,470	31
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(15)	1,884,521	20	1,884,521	21
Capital surplus						
3200	Capital surplus	6(16)	567,114	6	567,114	7
Retained earnings						
		6(17)				
3310	Legal reserve		1,268,103	14	1,199,351	14
3320	Special reserve		193,516	2	207,950	2
3350	Unappropriated retained earnings		2,819,680	31	2,388,090	27
Other equity interest						
3400	Other equity interest	6(18)	(87,897)	(1)	(193,516)	(3)
31XX	Equity attributable to owners of the parent		6,645,037	72	6,053,510	68
36XX	Non-controlling interest		60,763	1	59,410	1
3XXX	Total equity		6,705,800	73	6,112,920	69
Significant contingent liabilities and unrecognised contract commitments						
		9				
Significant events after the balance						
		11				
3X2X	Total liabilities and equity		\$ 9,208,221	100	\$ 8,823,390	100

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(19)	\$ 9,530,920	100	\$ 9,686,119	100
5000	Operating costs	6(5)(10)(14)(22)(23) and 7	(7,682,843)	(80)	(7,997,919)	(83)
5900	Net operating margin		1,848,077	20	1,688,200	17
	Operating expenses	6(10)(14)(22)(23) and 7				
6100	Selling expenses		(286,389)	(3)	(319,720)	(3)
6200	General and administrative expenses		(462,859)	(5)	(397,204)	(4)
6300	Research and development expenses		(195,582)	(2)	(208,681)	(2)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	1,045	-	1,014	-
6000	Total operating expenses		(943,785)	(10)	(924,591)	(9)
6900	Operating profit		904,292	10	763,609	8
	Non-operating income and expenses					
7100	Interest income		29,071	-	15,459	-
7010	Other income	6(20)	35,838	-	127,063	1
7020	Other gains and losses	6(21)	242,137	3	(87,020)	(1)
7050	Finance costs	6(13)	(6,125)	-	(5,881)	-
7000	Total non-operating income and expenses		300,921	3	49,621	-
7900	Profit before income tax		1,205,213	13	813,230	8
7950	Income tax expense	6(24)	(290,659)	(3)	(139,377)	(1)
8200	Profit for the year		\$ 914,554	10	\$ 673,853	7

(Continued)

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(14)	\$ 35,512	-	\$ 24,733	-
8316	Unrealised gain or loss on financial assets at for value through other comprehensive income	6(7)(18)	59,937	1	30,199	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(7,102)	-	(4,945)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		88,347	1	49,987	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	45,914	-	(15,493)	-
8300	Total other comprehensive income for the year		\$ 134,261	1	\$ 34,494	-
8500	Total comprehensive income for the year		\$ 1,048,815	11	\$ 708,347	7
	Profit, attributable to:					
8610	Owners of the parent		\$ 909,759	10	\$ 667,479	7
8620	Non-controlling interest		4,795	-	6,374	-
			\$ 914,554	10	\$ 673,853	7
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,043,812	11	\$ 701,960	7
8720	Non-controlling interest		5,003	-	6,387	-
			\$ 1,048,815	11	\$ 708,347	7
	Earnings per share	6(25)				
9750	Total basic earnings per share		\$ 4.83		\$ 3.54	
9850	Total diluted earnings per share		\$ 4.70		\$ 3.46	

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Retained Earnings				Other equity interest					
							Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		Non-controlling interest	Total equity
Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings				Total		
Year ended December 31, 2021											
	\$ 1,884,521	\$ 567,114	\$ 1,117,684	\$ 262,532	\$ 2,217,625	(\$ 212,814)	\$ 4,864	\$ 5,841,526	\$ 121,907	\$ 5,963,433	
	-	-	-	-	667,479	-	-	667,479	6,374	673,853	
6(7)(18)	-	-	-	-	19,788	(15,506)	30,199	34,481	13	34,494	
	-	-	-	-	687,267	(15,506)	30,199	701,960	6,387	708,347	
Distribution of 2020 earnings:											
	-	-	81,667	-	(81,667)	-	-	-	-	-	
	-	-	-	(54,582)	54,582	-	-	-	-	-	
6(17)	-	-	-	-	(489,976)	-	-	(489,976)	-	(489,976)	
	-	-	-	-	-	-	-	-	(2,650)	(2,650)	
	-	-	-	-	-	-	-	-	(66,234)	(66,234)	
6(7)(18)											
	-	-	-	-	259	-	(259)	-	-	-	
	\$ 1,884,521	\$ 567,114	\$ 1,199,351	\$ 207,950	\$ 2,388,090	(\$ 228,320)	\$ 34,804	\$ 6,053,510	\$ 59,410	\$ 6,112,920	
Year ended December 31, 2022											
	\$ 1,884,521	\$ 567,114	\$ 1,199,351	\$ 207,950	\$ 2,388,090	(\$ 228,320)	\$ 34,804	\$ 6,053,510	\$ 59,410	\$ 6,112,920	
	-	-	-	-	909,759	-	-	909,759	4,795	914,554	
6(7)(18)	-	-	-	-	28,410	45,706	59,937	134,053	208	134,261	
	-	-	-	-	938,169	45,706	59,937	1,043,812	5,003	1,048,815	
Distribution of 2021 earnings:											
	-	-	68,752	-	(68,752)	-	-	-	-	-	
	-	-	-	(14,434)	14,434	-	-	-	-	-	
6(17)	-	-	-	-	(452,285)	-	-	(452,285)	-	(452,285)	
	-	-	-	-	-	-	-	-	(3,650)	(3,650)	
6(7)(18)											
	-	-	-	-	24	-	(24)	-	-	-	
	\$ 1,884,521	\$ 567,114	\$ 1,268,103	\$ 193,516	\$ 2,819,680	(\$ 182,614)	\$ 94,717	\$ 6,645,037	\$ 60,763	\$ 6,705,800	

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,205,213	\$ 813,230
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	(1,045)	(1,014)
Net gain on financial assets or liabilities at fair value through profit or loss	6(21)	5,265	(2,261)
Depreciation expense	6(8)(9)(22)	191,819	189,867
Amortization expense	6(10)(22)	25,597	45,528
Dividend income		(25,900)	(13,285)
Interest income		(29,071)	(15,459)
Interest expense		6,125	5,881
Gain on disposal of investments	6(21)	(901)	(65,317)
Loss on disposal of property, plant and equipment	6(21)	7,251	395
Impairment loss on property, plant and equipment	6(8)(21)	-	92,728
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(98,706)	521,561
Notes receivable		9,755	(13,892)
Accounts receivable		365,063	(11,082)
Inventories		326,901	(366,778)
Other financial assets - current		1,896	(1,905)
Other current assets - others		(3,843)	(12,434)
Changes in operating liabilities			
Notes payable		(3,208)	2,087
Accounts payable		(418,694)	2,885
Other payables		69,233	(86,935)
Other current liabilities - others		(13,232)	9,426
Net defined benefit liability, non-current		(94,651)	(59,658)
Cash inflow generated from operations		1,524,867	1,033,568
Dividends received		25,900	13,285
Interest received		27,814	15,740
Interest paid		(6,125)	(5,881)
Income tax paid		(198,543)	(255,576)
Net cash flows from operating activities		1,373,913	801,136

(Continued)

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(\$ 162,456)	(\$ 200,908)
Proceeds from disposal of financial assets at amortised cost		187,368	259,091
Acquisition of financial assets at fair value through other comprehensive income		(55,789)	(13,093)
Proceeds from disposal of financial assets at fair value through other comprehensive income		84	1,263
Proceeds from disposal of subsidiaries		-	87,031
Acquisition of property, plant and equipment	6(26)	(519,685)	(84,409)
Increase in prepaid equipment		(31,513)	(81,522)
Proceeds from disposal of property, plant and equipment		13,216	3,220
Acquisition of intangible assets	6(10)	(275)	(950)
Decrease in other financial assets - non current		2,818	160
Increase in other non-current assets -others		(1,631)	(6,468)
Net cash flows used in investing activities		(567,863)	(36,585)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term debt	6(27)	(21,071)	(21,381)
Cash dividends paid	6(17)	(452,285)	(489,976)
Cash dividends distributed to non-controlling interest		(3,650)	(2,650)
Net cash flows used in financing activities		(477,006)	(514,007)
Effect of exchange rate changes on cash and cash equivalents		90,671	36,520
Net increase in cash and cash equivalents		419,715	287,064
Cash and cash equivalents at beginning of year	6(1)	2,019,319	1,732,255
Cash and cash equivalents at end of year	6(1)	\$ 2,439,034	\$ 2,019,319

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 8, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	Fortress Industrial Co., Ltd.	Sales and manufacture of door locks, transom closers and floor springs	100	100	
	Master United Investment Group Ltd.	Investment holdings	100	100	
	Formflex Enterprise Co., Ltd.	Investment holdings	100	100	
	Fu Hsing Americas Inc.	Sales of door locks and related accessories	100	100	
	Arctek Industrial Co., Ltd.	Sales and manufacture of transom closers and floor springs	70	70	
	Hundure Technology Co., Ltd.	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	Note 1	Note 1	
	Techform Industrial Co., Ltd.	Processing of hardware products	100	100	
	Sunion Technology Co., Ltd.	Sales and manufacture of electronic lock parts	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	100	100	Note 2
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Sales and manufacture of transom closers and floor springs	70	70	
Master United Investment Group Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories	100	100	
Ziyong Hardware Products (Taicang) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	100	100	
Formflex Enterprise Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Sales and manufacture of high quality hardware parts	100	100	
	Fortune Industrial Ltd.	Investment holdings	51	51	
Fortune Industrial Ltd.	Changshu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic products	100	100	Note 3

Note 1: On August 4, 2021, the Company sold 54% of shares in the subsidiary, Hundure Technology Co., Ltd. Therefore, the Company lost control over the subsidiary and recognised the remaining investment in the former subsidiary (shown as non-current financial assets at fair value through other comprehensive income) at the fair value. The Company recognised gain of \$63,996, which was recognised in the statement of comprehensive income within other gains and losses. Details of supplemental cash flow information are provided in Note 6(26).

Note 2: On June 20, 2022, the shareholders resolved to terminate operation and deregister Fortress Door Control Product (Changshu) Co., Ltd. The related procedures are still in process.

Note 3: On October 20, 2022, the shareholders resolved to terminate operation and deregister Changshu Fortune Packing Material Co., Ltd. The related procedures are still in process.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

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

(10) Accounts receivable and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

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

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

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.
- C. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

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

(17) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.
- C. Patent are initially recorded at cost and are amortised on a straight-line basis over its estimated useful life.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

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

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Non-hedge derivatives

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

(24) Provisions

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

D. Employees' bonus and directors' remuneration

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Dividends

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

(28) Revenue recognition

Sales of goods

- A. The Group manufactures and sells door locks and related accessories and furniture. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer based on the agreed terms, the customer has full discretion over the usage of the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The products are often sold with sales discounts based on aggregate sales over a one-year period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts using the expected value method. A refund liability (shown as 'other payables') is recognised for expected sales discounts payable to customers in relation to sales made until the end of the reporting period.
- C. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2022, the carrying amount of inventories was \$1,234,644.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and petty cash	\$ 879	\$ 1,019
Checking and demand deposits	<u>1,265,651</u>	<u>856,938</u>
	1,266,530	857,957
Cash equivalents:		
Time deposits	<u>1,172,504</u>	<u>1,161,362</u>
	<u>\$ 2,439,034</u>	<u>\$ 2,019,319</u>

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

B. The Group has no cash and cash equivalents pledged to others.

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

Item	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value		
Listed (TSE and OTC) stocks	\$ 33,542	\$ 27,082
Beneficiary certificates	110,275	14,275
	143,817	41,357
Valuation adjustment	(7,099)	1,019
	<u>\$ 136,718</u>	<u>\$ 42,376</u>

A. The information on financial assets at fair value through profit or loss recognised in net gains and losses is provided in Note 6(21).

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

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

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Restricted bank deposits	\$ 5,835	\$ 4,891
Time deposits with original maturity date	44,747	70,603
	<u>\$ 50,582</u>	<u>\$ 75,494</u>

A. Interest income from time deposits is recognised under interest income from bank deposits.

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$50,582 and \$75,494, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 36,927	\$ 46,682
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>\$ 36,927</u>	<u>\$ 46,682</u>
Accounts receivable	\$ 1,422,789	\$ 1,777,556
Less: Allowance for bad debts	<u>(677)</u>	<u>(1,719)</u>
	<u>\$ 1,422,112</u>	<u>\$ 1,775,837</u>

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 36,927	\$ 1,298,413	\$ 46,682	\$ 1,711,344
Past due:				
Up to 30 days	-	120,769	-	60,627
31 to 60 days	-	2,794	-	3,738
61 to 90 days	-	17	-	539
91 to 180 days	-	756	-	268
181 to 360 days	-	40	-	-
Over 360 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040</u>
	<u>\$ 36,927</u>	<u>\$ 1,422,789</u>	<u>\$ 46,682</u>	<u>\$ 1,777,556</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,830,740.
- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$1,459,039 and \$1,822,519, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance	Book value
Raw materials	\$ 160,259	(\$ 9,481)	\$ 150,778
Work in process	486,673	(75,153)	411,520
Finished goods	709,340	(36,994)	672,346
	<u>\$ 1,356,272</u>	<u>(\$ 121,628)</u>	<u>\$ 1,234,644</u>
	December 31, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 210,651	(\$ 7,415)	\$ 203,236
Work in process	654,905	(96,514)	558,391
Finished goods	804,856	(18,486)	786,370
	<u>\$ 1,670,412</u>	<u>(\$ 122,415)</u>	<u>\$ 1,547,997</u>

The cost of inventories recognised as expense for the years ended December 31, 2022 and 2021 was \$7,682,843 and \$7,997,919, respectively, including the amount of \$787, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventories were scrapped or sold in 2022, as well as the amount of \$36,008, of cost of sales recognised for writing down the inventory cost to net realisable value in 2021.

(6) Other assets-current

	December 31, 2022	December 31, 2021
Prepayments	\$ 83,543	\$ 94,968
Business tax refund receivable	40,059	38,438
Other current assets	15,779	8,738
	<u>\$ 139,381</u>	<u>\$ 142,144</u>

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

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Listed (TSE and OTC) stocks	\$ 323,275	\$ 267,547
Unlisted stocks	<u>80,602</u>	<u>80,602</u>
	403,877	348,149
Valuation adjustment	<u>94,717</u>	<u>34,803</u>
	<u>\$ 498,594</u>	<u>\$ 382,952</u>

- A. The Group has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$498,594 and \$382,952 as at December 31, 2022 and 2021, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 59,937</u>	<u>\$ 30,199</u>
Cumulative losses reclassified to retained earnings due to derecognition	<u>(\$ 24)</u>	<u>(\$ 259)</u>
Dividend income recognised in profit or loss held at end of year	<u>\$ 22,563</u>	<u>\$ 10,873</u>

- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$498,594 and \$382,952, respectively.
- D. The Group has no financial assets at fair value through other comprehensive income pledged to others.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>At January 1, 2022</u>							
Cost	\$ 972,203	\$ 1,303,279	\$ 1,317,601	\$ 107,255	\$ 260,697	\$ 14,646	\$ 3,975,681
Accumulated depreciation and impairment	-	(482,642)	(728,155)	(56,788)	(168,349)	-	(1,435,934)
	<u>\$ 972,203</u>	<u>\$ 820,637</u>	<u>\$ 589,446</u>	<u>\$ 50,467</u>	<u>\$ 92,348</u>	<u>\$ 14,646</u>	<u>\$ 2,539,747</u>
<u>2022</u>							
Opening net book amount as at January 1	\$ 972,203	\$ 820,637	\$ 589,446	\$ 50,467	\$ 92,348	\$ 14,646	\$ 2,539,747
Additions	-	509,877	41,558	19,889	23,087	18,178	612,589
Transfers from prepayments for business facilities	-	-	46,493	8,607	1,799	6,858	63,757
Depreciation charge	-	(39,720)	(95,823)	(29,033)	(26,279)	-	(190,855)
Disposals - cost	-	(9,654)	(245,665)	(21,541)	(21,658)	-	(298,518)
Disposals - accumulated depreciation	-	7,294	235,192	19,660	15,905	-	278,051
Net exchange differences	1,515	6,918	1,739	1,725	628	165	12,690
Closing net book amount as at December 31, 2022	<u>\$ 973,718</u>	<u>\$ 1,295,352</u>	<u>\$ 572,940</u>	<u>\$ 49,774</u>	<u>\$ 85,830</u>	<u>\$ 39,847</u>	<u>\$ 3,017,461</u>
<u>At December 31, 2022</u>							
Cost	\$ 973,718	\$ 1,815,170	\$ 1,170,118	\$ 116,254	\$ 267,360	\$ 39,847	\$ 4,382,467
Accumulated depreciation and impairment	-	(519,818)	(597,178)	(66,480)	(181,530)	-	(1,365,006)
	<u>\$ 973,718</u>	<u>\$ 1,295,352</u>	<u>\$ 572,940</u>	<u>\$ 49,774</u>	<u>\$ 85,830</u>	<u>\$ 39,847</u>	<u>\$ 3,017,461</u>

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>At January 1, 2021</u>							
Cost	\$ 1,070,061	\$ 1,360,944	\$ 1,234,508	\$ 100,560	\$ 287,666	\$ 28,163	\$ 4,081,902
Accumulated depreciation and impairment	-	(461,136)	(570,638)	(60,777)	(179,880)	-	(1,272,431)
	<u>\$ 1,070,061</u>	<u>\$ 899,808</u>	<u>\$ 663,870</u>	<u>\$ 39,783</u>	<u>\$ 107,786</u>	<u>\$ 28,163</u>	<u>\$ 2,809,471</u>
<u>2021</u>							
Opening net book amount as at January 1	\$ 1,070,061	\$ 899,808	\$ 663,870	\$ 39,783	\$ 107,786	\$ 28,163	\$ 2,809,471
Additions	-	737	29,415	21,514	12,651	18,811	83,128
Transfers from prepayments for business facilities	-	-	94,274	14,021	2,781	(32,265)	78,811
Depreciation charge	-	(38,500)	(101,684)	(24,773)	(23,964)	-	(188,921)
Impairment loss	-	-	(90,522)	-	(2,206)	-	(92,728)
Disposals - cost	-	(10,704)	(34,423)	(28,299)	(31,499)	-	(104,925)
Disposals - accumulated depreciation	-	10,294	31,656	28,645	30,715	-	101,310
Disposal of subsidiaries (Note)	(97,458)	(38,810)	(1,925)	-	(3,690)	-	(141,883)
Net exchange differences	(400)	(2,188)	(1,215)	(424)	(226)	(63)	(4,516)
Closing net book amount as at December 31, 2021	<u>\$ 972,203</u>	<u>\$ 820,637</u>	<u>\$ 589,446</u>	<u>\$ 50,467</u>	<u>\$ 92,348</u>	<u>\$ 14,646</u>	<u>\$ 2,539,747</u>
<u>At December 31, 2021</u>							
Cost	\$ 972,203	\$ 1,303,279	\$ 1,317,601	\$ 107,255	\$ 260,697	\$ 14,646	\$ 3,975,681
Accumulated depreciation and impairment	-	(482,642)	(728,155)	(56,788)	(168,349)	-	(1,435,934)
	<u>\$ 972,203</u>	<u>\$ 820,637</u>	<u>\$ 589,446</u>	<u>\$ 50,467</u>	<u>\$ 92,348</u>	<u>\$ 14,646</u>	<u>\$ 2,539,747</u>

Note: For information on supplemental cash flow information, please refer to Note 6 (26) C.

- A. No borrowing costs was capitalized for the years ended December 31, 2022 and 2021.
- B. The significant components of buildings include main plants and renovations, which are depreciated 40~55 and 10~25 years, respectively.
- C. Information on property, plant and equipment pledged to others as collaterals, please refer to Note 8.
- D. As the subsidiaries in Asia assessed that there is a decrease in the Group's expected future inflow of certain machinery and equipment, the recoverable amount of the above assets was less than its carrying amount. Accordingly, impairment loss of \$92,728 was recognized for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Group recognised the accumulated impairment amounting to \$0 and \$93,885, respectively.

(9) Lease transactions – lessee

- A. In December 2022, the Group leased the national land of Pingtung Technology Industrial Park from Pingtung Export Processing Zone Administration, Ministry of Economic Affairs, and rental contracts are made for periods of 10 years. In addition, the Group's subsidiary paid consideration for certain 50-year land use rights that were obtained from a local government in the People's Republic of China. The rental contract was determined based on mutual agreement and did not impose special covenants or agreements.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 77,335	\$ 32,888
	<u>2022</u>	<u>2021</u>
Land-Depreciation charge	\$ 964	\$ 946

- C. For the year ended December 31, 2022, the additions to right-of-use assets were \$44,852; there was no such issue for the year ended December 31, 2021. In addition, the Group has no significant cash outflow for lease for the years ended December 31, 2022 and 2021.

(10) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Patent</u>	<u>Total</u>
<u>At January 1, 2022</u>				
Cost	\$ 68,903	\$ 18,477	\$ 1,615	\$ 88,995
Accumulated amortization and impairment	(45,233)	(16,347)	(946)	(62,526)
	<u>\$ 23,670</u>	<u>\$ 2,130</u>	<u>\$ 669</u>	<u>\$ 26,469</u>
<u>2022</u>				
At January 1	\$ 23,670	\$ 2,130	\$ 669	\$ 26,469
Additions	-	275	-	275
Amortization charge	-	(1,291)	(323)	(1,614)
Net exchange differences	-	6	-	6
December 31	<u>\$ 23,670</u>	<u>\$ 1,120</u>	<u>\$ 346</u>	<u>\$ 25,136</u>
<u>December 31, 2022</u>				
Cost	\$ 68,903	\$ 18,440	\$ 1,615	\$ 88,958
Accumulated amortization and impairment	(45,233)	(17,320)	(1,269)	(63,822)
	<u>\$ 23,670</u>	<u>\$ 1,120</u>	<u>\$ 346</u>	<u>\$ 25,136</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Patent</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 126,539	\$ 18,608	\$ 1,727	\$ 146,874
Accumulated amortization and impairment	(102,869)	(13,858)	(623)	(117,350)
	<u>\$ 23,670</u>	<u>\$ 4,750</u>	<u>\$ 1,104</u>	<u>\$ 29,524</u>
<u>2021</u>				
At January 1	\$ 23,670	\$ 4,750	\$ 1,104	\$ 29,524
Additions	-	912	38	950
Amortization charge	-	(3,529)	(323)	(3,852)
Transaction of disposal of subsidiaries (Note 1)	-	-	-	-
Reclassification (Note 2)	-	-	(150)	(150)
Net exchange differences	-	(3)	-	(3)
December 31	<u>\$ 23,670</u>	<u>\$ 2,130</u>	<u>\$ 669</u>	<u>\$ 26,469</u>
<u>December 31, 2021</u>				
Cost	\$ 68,903	\$ 18,477	\$ 1,615	\$ 88,995
Accumulated amortization and impairment	(45,233)	(16,347)	(946)	(62,526)
	<u>\$ 23,670</u>	<u>\$ 2,130</u>	<u>\$ 669</u>	<u>\$ 26,469</u>

Note 1: The Group sold 54% of shares in the subsidiary –Hundure Technology Co., Ltd. on August 4, 2021 and therefore lost control over the subsidiary (please refer to Note 4(3) B note 1), which included goodwill and accumulated impairment loss amounting to \$57,636.

Note 2: The reclassification was included in other non- current assets- others.

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

	For the years ended December 31,	
	2022	2021
Operating costs	\$ 431	\$ 580
Administrative expenses	743	2,353
Research and development expenses	440	919
	<u>\$ 1,614</u>	<u>\$ 3,852</u>

B. No borrowing costs was capitalized for the years ended December 31, 2022 and 2021.

C. Goodwill

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

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

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

E. As of December 31, 2022 and 2021, the Group's balance of accumulated impairment was \$45,233.

(11) Other non-current assets-other

	December 31, 2022	December 31, 2021
Prepayment for business facilities	\$ 8,856	\$ 41,102
Other non-current assets	9,531	14,052
	<u>\$ 18,387</u>	<u>\$ 55,154</u>

(12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus	\$ 374,197	\$ 331,145
Payable on construction and equipment	98,275	5,371
Refund liabilities	68,436	62,973
Directors' remuneration	20,060	14,470
Labor and health insurance payable	19,156	19,852
Employee benefits	7,741	14,739
Others	142,598	118,188
	<u>\$ 730,463</u>	<u>\$ 566,738</u>

(13) Long-term borrowings / Long-term borrowings, current portion (recorded as 'other current liabilities')

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings			
Secured borrowings	From December 2018 to October 2038, the principal payments and the interests are both paid monthly.	Land, buildings and structures	\$ 258,216
Unsecured borrowings	From October 2018 to October 2038, the principal payments and the interests are both paid monthly.		122,098
			<u>380,314</u>
	Less : Long-term borrowings, current portion (recorded as 'other current liabilities'-others)		(20,925)
			<u>\$ 359,389</u>
	Interest rate range		<u>1.69%~1.815%</u>

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2021
Long-term bank borrowings			
Secured borrowings	From December 2018 to October 2038, the principal payments and the interests are both paid monthly.	Land, buildings and structures	\$ 272,544
Unsecured borrowings	From October 2018 to October 2038, the principal payments and the interests are both paid monthly.		128,841
			401,385
	Less : Long-term borrowings, current portion (recorded as 'other current liabilities'-others)		(21,507)
			\$ 379,878
	Interest rate range		1.19%~1.47%

Interest expense recognised in profit or loss amounted to \$5,890 and \$5,371 for the years ended December 31, 2022 and 2021, respectively.

(14) Pensions

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

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

	December 31, 2022	December 31, 2021
Present value of funded obligations	\$ 375,489	\$ 407,244
Fair value of plan assets	(329,954)	(302,570)
Net defined benefit liability	\$ 45,535	\$ 104,674

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 407,244	(\$ 302,570)	\$ 104,674
Current service cost	1,815	-	1,815
Interest expense (income)	2,851	(2,118)	733
	<u>411,910</u>	<u>(304,688)</u>	<u>107,222</u>
Remeasurements:			
Return on plan assets	-	(22,832)	(22,832)
Change in population assumptions	1,928	-	1,928
Change in financial assumptions	(12,328)	-	(12,328)
Experience adjustments	(2,280)	-	(2,280)
	<u>(12,680)</u>	<u>(22,832)</u>	<u>(35,512)</u>
Pension fund contribution	-	(26,175)	(26,175)
Paid pension	(23,741)	23,741	-
Balance at December 31	<u>\$ 375,489</u>	<u>(\$ 329,954)</u>	<u>\$ 45,535</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 469,569	(\$ 315,974)	\$ 153,595
Current service cost	2,660	-	2,660
Interest expense (income)	1,381	(929)	452
	<u>473,610</u>	<u>(316,903)</u>	<u>156,707</u>
Remeasurements:			
Return on plan assets	-	(4,591)	(4,591)
Change in population assumptions	268	-	268
Change in financial assumptions	(11,384)	-	(11,384)
Experience adjustments	(9,026)	-	(9,026)
	<u>(20,142)</u>	<u>(4,591)</u>	<u>(24,733)</u>
Pension fund contribution	-	(13,305)	(13,305)
Paid pension	(17,972)	17,972	-
Disposal of subsidiaries (Note)	(28,252)	14,257	(13,995)
Balance at December 31	<u>\$ 407,244</u>	<u>(\$ 302,570)</u>	<u>\$ 104,674</u>

Note: For information on supplemental cash flow information, please refer to Note 6 (26) C.

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2022	2021
Discount rate	1.20%~1.30	0.70%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation				
December 31, 2022	(\$ 5,745)	\$ 5,931	\$ 5,067	(\$ 4,940)
December 31, 2021	(\$ 6,908)	\$ 7,142	\$ 6,143	(\$ 5,982)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$11,714.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 6~10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	106,133
Within 2 years		31,533
Within 3 years		25,100
Within 4 years		26,594
Within 5 years		20,868
Within 6 to 10 years		88,494
	\$	<u>298,722</u>

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

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

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$66,643 and \$66,967, respectively.

(15) Share capital

- A. As of December 31, 2022 and 2021, the Company's authorized capital was \$2,424,000, consisting of 242,400 thousand shares of common stock (of which 10 million shares are reserved for the issuance of stock warrants and preferred shares with stock warrants and corporate bonds with stock warrants), at a par value of \$10 (in dollars) per share. One share has a voting right, and total shares issued amounted to 188,452 thousand shares.
- B. The beginning and ending amount of the Company's outstanding common stocks were both 188,452 thousand shares.

(16) Capital surplus

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

(17) Retained earnings

A Where the Company accrues profit every year, after paying all regulatory taxes and dues, 10% of the earnings should be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. And set aside or reverse special reserve as required by the regulations when necessary.

When the Company appropriates special reserve in accordance with the laws, an equivalent amount of special reserve shall be set aside from the undistributed earnings of the prior year based on the insufficiency of the cumulative decrease of equity of the prior year before the earnings distribution. If it is insufficient to be set aside, the current post-tax profit plus the amount other than the current post-tax profit are included in the appropriation of the current unappropriated earnings.

After the provision or reversal of special reserve as required by the regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years as accumulated distributable earnings for shareholders shall be proposed by the Board of Directors and approved by the shareholders.

The appropriation shall be proposed by the Board of Directors and resolved by the shareholders if the Company distributes dividends and bonus, legal reserve and capital surplus, in whole or in part, by issuing new shares; the appropriation shall be authorised to the Board of Directors, upon approval adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported to the shareholders, if dividends and bonus, legal reserve and capital surplus, in whole or in part, are distributed in the form of cash.

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying provision for land revaluation increment to retained earnings as of December 31, 2022 and 2021 were both \$48,991.

- D. On May 27, 2022 and July 2, 2021, the shareholders resolved that distribution of dividends for ordinary shares and total dividends were \$2.4 (in dollars) per share and \$452,285, \$2.6 (in dollars) per share and \$489,976, respectively. On March 8, 2023, the Board of Directors proposed to distribute dividends of NT\$2.9 (in dollars) per share totaling \$546,511.

(18) Other equity items

	2022		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation	
At January 1,	(\$ 228,320)	\$ 34,804	(\$ 193,516)
Revaluation	-	59,937	59,937
Revaluation transferred to retained earnings - gross	-	(24)	(24)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	45,706	-	45,706
At December 31,	(\$ 182,614)	\$ 94,717	(\$ 87,897)

	2021		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1,	(\$ 212,814)	\$ 4,864	(\$ 207,950)
Revaluation	-	30,199	30,199
Revaluation transferred to retained earnings - gross	-	(259)	(259)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	(15,506)	-	(15,506)
At December 31,	<u>(\$ 228,320)</u>	<u>\$ 34,804</u>	<u>(\$ 193,516)</u>

(19) Operating revenue

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

	2022		
<u>External customer region</u>	Asia segment	US segment	Total
US	\$ 6,926,492	\$ 126,360	\$ 7,052,852
Asia	1,549,667	-	1,549,667
Europe	481,445	-	481,445
Other	446,956	-	446,956
	<u>\$ 9,404,560</u>	<u>\$ 126,360</u>	<u>\$ 9,530,920</u>
	2021		
<u>External customer region</u>	Asia segment	US segment	Total
US	\$ 6,654,310	\$ 158,000	\$ 6,812,310
Asia	1,954,824	-	1,954,824
Europe	517,488	-	517,488
Other	401,497	-	401,497
	<u>\$ 9,528,119</u>	<u>\$ 158,000</u>	<u>\$ 9,686,119</u>

(20) Other income

On August 3, 2021, the Group's Board of Directors resolved to purchase the land. However, the real estate purchase and sale agreement was subsequently terminated with the consent of mutual parties, and the seller returned the Group's deposit and paid a default fine for terminating the contract totaling \$100 million.

(21) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net currency exchange loss	\$ 268,964	(\$ 53,605)
Gain on disposal of investments	901	65,317
Impairment loss on property, plant and equipment	-	(92,728)
Loss on disposal of property, plant and equipment	(7,251)	(395)
Net gain on financial assets at fair value through profit or loss	(5,265)	2,261
Other losses	(15,212)	(7,870)
	<u>\$ 242,137</u>	<u>(\$ 87,020)</u>

(22) Expenses by nature

	For the years ended December 31,	
	2022	2021
Employee benefit expense	\$ 1,731,223	\$ 1,805,898
Depreciation charges on property, plant and equipment	190,855	188,921
Depreciation charges on right-of-use assets	964	946
Amortisation	25,597	45,528
	<u>\$ 1,948,639</u>	<u>\$ 2,041,293</u>

(23) Employee benefit expense

	For the years ended December 31,	
	2022	2021
Wages and salaries	\$ 1,457,030	\$ 1,517,435
Labor and health insurance fees	127,613	132,983
Pension costs	69,191	70,079
Other personnel expenses	77,389	85,401
	<u>\$ 1,731,223</u>	<u>\$ 1,805,898</u>

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

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

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$198,540 and \$167,911, respectively; while directors' remuneration was accrued at \$19,500 and \$14,100, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the Board of Directors estimated the employees' compensation and directors' remuneration based on the Company's Articles of Incorporation and operating performance level. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$198,540 and \$19,500, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 248,059	\$ 188,406
Tax on unappropriated earnings	9,512	15,148
Prior year income tax over estimation	(6,734)	(1,080)
Total current tax	<u>250,837</u>	<u>202,474</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>39,822</u>	(63,097)
Income tax expense	<u>\$ 290,659</u>	<u>\$ 139,377</u>

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

	For the years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 7,102</u>	<u>\$ 4,945</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 305,469	\$ 166,856
Effect of amount not allowed to be recognised under the regulations	(17,588)	(41,547)
Additional tax on undistributed earnings	9,512	15,148
Prior year income tax over estimation	(6,734)	(1,080)
Income tax expense	<u>\$ 290,659</u>	<u>\$ 139,377</u>

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

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	\$ 20,935	(\$ 4,730)	(\$ 7,102)	\$ 9,103
Loss on obsolete and slow-moving and market price decline of inventories	20,979	129	-	21,108
Accrued unused compensated absences	5,662	-	-	5,662
Accrued sales returns and discounts	12,595	1,093	-	13,688
Unrealised exchange loss	1,318	4,378	-	5,696
Impairment loss on non-financial assets	23,468	(23,468)	-	-
Others	10,589	5,537	-	16,126
Tax losses	10,835	4,192	-	15,027
	<u>106,381</u>	<u>(12,869)</u>	<u>(7,102)</u>	<u>86,410</u>
Deferred tax liabilities:				
Revaluation increments	(41,619)	-	-	(41,619)
Investment income	(92,938)	(28,116)	-	(121,054)
Others	(1,390)	1,163	-	(227)
	<u>(135,947)</u>	<u>(26,953)</u>	<u>-</u>	<u>(162,900)</u>
	<u>(\$ 29,566)</u>	<u>(\$ 39,822)</u>	<u>(\$ 7,102)</u>	<u>(\$ 76,490)</u>

	2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Transaction of disposal of subsidiaries	December 31
Deferred tax assets:					
Temporary differences:					
Net defined benefit liability	\$ 30,719	(\$ 2,040)	(\$ 4,945)	(\$ 2,799)	\$ 20,935
Loss on obsolete and slow-moving and market price decline of inventories	12,739	8,769	-	(529)	20,979
Accrued unused compensated absences	5,662	-	-	-	5,662
Accrued sales returns and discounts	18,004	(5,409)	-	-	12,595
Unrealised exchange loss	2,480	(660)	-	(502)	1,318
Impairment loss on non-financial assets	-	23,468	-	-	23,468
Others	5,822	4,767	-	-	10,589
Tax losses	<u>12,286</u>	<u>(1,451)</u>	<u>-</u>	<u>-</u>	<u>10,835</u>
	<u>87,712</u>	<u>27,444</u>	<u>(4,945)</u>	<u>(3,830)</u>	<u>106,381</u>
Deferred tax liabilities:					
Revaluation increments	(41,619)	-	-	-	(41,619)
Investment income	(129,442)	36,504	-	-	(92,938)
Others	<u>(539)</u>	<u>(851)</u>	<u>-</u>	<u>-</u>	<u>(1,390)</u>
	<u>(171,600)</u>	<u>35,653</u>	<u>-</u>	<u>-</u>	<u>(135,947)</u>
	<u>(\$ 83,888)</u>	<u>\$ 63,097</u>	<u>(\$ 4,945)</u>	<u>(\$ 3,830)</u>	<u>(\$ 29,566)</u>

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

December 31, 2022				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
Subsidiary-Techform Industrial Co., Ltd.				
2019	\$ 61,658	\$ 2,069	\$ 2,069	2029
Subsidiary-Arctek Security Technologies (Shanghai) Co., Ltd.				
2017~2022	46,982	46,982	46,982	2022~2027
Subsidiary-Ziyong Hardware Products (Taicang) Co., Ltd.				
2021~2022	<u>60,110</u>	<u>60,110</u>	<u>-</u>	2026~2027
Total	<u>\$ 168,750</u>	<u>\$ 109,161</u>	<u>\$ 49,051</u>	

December 31, 2021				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
Subsidiary-Techform Industrial Co., Ltd.				
2019	\$ 61,658	\$ 20,862	\$ 3,627	2029
Subsidiary-Arctek Security Technologies (Shanghai) Co., Ltd.				
2017~2021	39,717	39,717	39,717	2022~2026
Subsidiary-Ziyong Hardware Products (Taicang) Co., Ltd.				
2021	34,374	34,374	4,821	2026
Total	<u>\$ 101,375</u>	<u>\$ 60,579</u>	<u>\$ 43,344</u>	

E. As of the report date, the Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. There were no disputes between the Company and the Tax Authority.

(25) Earnings per share

For the year ended December 31, 2022			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 909,759</u>	<u>188,452</u>	<u>\$ 4.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 909,759	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	5,183	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 909,759</u>	<u>193,635</u>	<u>\$ 4.70</u>

	For the year ended December 31, 2021		
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 667,479</u>	<u>188,452</u>	<u>\$ 3.54</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 667,479	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	<u>-</u>	<u>4,450</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 667,479</u>	<u>192,902</u>	<u>\$ 3.46</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Increase in property, plant and equipment	\$ 612,589	\$ 83,128
Add: Opening balance of payable on construction and equipment (Note)	5,371	6,652
Less: Ending balance of payable on construction and equipment (Note)	(98,275)	(5,371)
Cash paid for purchases of property, plant and equipment	<u>\$ 519,685</u>	<u>\$ 84,409</u>

Note: Recorded as 'other payables'.

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
Prepayments for equipment being converted to property, plant and equipment	\$ 63,757	\$ 78,811
Increase in right-of-use assets	\$ 44,852	\$ -
Less: Increase in lease liabilities	(44,852)	-
	\$ -	\$ -
Long-term borrowings, current portion (recorded as 'other current liabilities'-others)	\$ 20,925	\$ 21,507

C. The Group sold 54% of shares in the subsidiary –Hundure Technology Co., Ltd. on August 4, 2021 and therefore lost control over the subsidiary (please refer to Note 4(3)note 1). The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	At August 4, 2021
Consideration received	
Cash	\$ 160,953
Carrying amount of assets and liabilities of the subsidiary	
Cash	\$ 73,922
Notes receivable, net	4,500
Accounts receivable, net	27,513
Inventories	46,049
Other current assets, others	2,428
Property, plant and equipment	141,883
Deferred income tax assets	3,830
Other non-current financial assets	2,413
Other non-current assets, others	141
Accounts payable	(22,444)
Other payables	(11,379)
Current income tax liabilities	(80)
Other current liabilities, others (Note)	(8,629)
Long-term borrowings	(64,639)
Net defined benefit liability, non-current	(13,995)
Total assets	\$ 181,513
Net cash inflow from losing control of subsidiaries	\$ 87,031

Note: (including current portion of \$ 4,536)

(27) Changes in liabilities from financing activities

	At January 1, 2022	Changes in cash flow from financing activities	Change in other non-cash items (Note 2)	At December 31, 2022
Long-term borrowings (Note 1)	\$ 401,385	(\$ 21,071)	\$ -	\$ 380,314
Lease liability (Note 1)	-	-	44,852	44,852
	<u>\$ 401,385</u>	<u>(\$ 21,071)</u>	<u>\$ 44,852</u>	<u>\$ 425,166</u>

	At January 1, 2021	Changes in cash flow from financing activities	Change in other non-cash items (Note 2)	At December 31, 2021
Long-term borrowings (Note 1)	\$ 491,941	(\$ 21,381)	(\$ 69,175)	\$ 401,385

Note 1: The long-term borrowings (including current portion) and lease liability (shown as other current liabilities, others).

Note 2: Please refer to Note 6 (26) for details of the Company's losing control over its subsidiaries.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Hundure Technology Co., Ltd.	The Company is this company's key management; this company was originally a subsidiary of the Company; however, the Company lost its control over the company since certain equity interests of the company were disposed in August 2021.
Taiwan Fu Hsing Culture & Education Foundation	Other related party

(2) Significant related party transactions

A. Purchases:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Hundure Technology Co., Ltd.	<u>\$ 6,318</u>	<u>\$ 8,801</u>

B. For the years ended December 31, 2022 and 2021, the Group donated cash amounting to \$8,680 and \$9,179, respectively, to Taiwan Fu Hsing Culture & Education Foundation, for cultural education promotion and enterprise social responsibility.

(3) Key management compensation

	For the years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 77,246	\$ 69,206
Post-employment benefits	664	664
	<u>\$ 77,910</u>	<u>\$ 69,870</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Restricted bank deposits (shown as "Current financial assets at amortised cost")	\$ 5,835	\$ 4,891	Guarantee and performance guarantee for trading of derivate financial products
Land	172,605	172,605	Collateral for long-term borrowings
Net value of buildings and structure	478,920	490,057	Collateral for long-term borrowings
Refundable deposits (recorded as 'other financial assets-non-current')	-	3,149	Guarantee for imports and derivative financial products
	<u>\$ 657,360</u>	<u>\$ 670,702</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Unused letters of credit:

	December 31, 2022	December 31, 2021
Purchase of materials and equipment	<u>\$ 30,000</u>	<u>\$ 22,406</u>

(2) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 129,037</u>	<u>\$ 71,963</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 8, 2023, the Board of Directors of the Company resolved the following items:

- (1) Details of the appropriation of earnings for 2022 are provided in Note 6(17).
- (2) In order to cooperate with the Company's long-term operating plan, the Company planned to establish subsidiaries and manufacturing bases in Southeast Asia and invested in installments with the estimated investment amount within USD 45 million.

12. OTHERS

(1) Capital management

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	<u>\$ 2,502,421</u>	<u>\$ 2,710,470</u>
Total assets	<u>\$ 9,208,221</u>	<u>\$ 8,823,390</u>
Debt ratio	<u>27%</u>	<u>31%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 136,718</u>	<u>\$ 42,376</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 498,594</u>	<u>\$ 382,952</u>
Financial assets at amortised cost /		
Loans and receivables		
Cash and cash equivalents	\$ 2,439,034	\$ 2,019,319
Financial assets at amortised cost - current	50,582	75,494
Notes receivable	36,927	46,682
Accounts receivable	1,422,112	1,775,837
Other financial assets (current and non-current)	<u>25,500</u>	<u>29,950</u>
	<u>\$ 3,974,155</u>	<u>\$ 3,947,282</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 7,082	\$ 10,290
Accounts payable	965,321	1,374,094
Other accounts payable	730,463	566,738
Long-term borrowings (including current portion)	<u>380,314</u>	<u>401,385</u>
	<u>\$ 2,083,180</u>	<u>\$ 2,352,507</u>
Lease liability	<u>\$ 44,852</u>	<u>\$ -</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to prevent decrease in value of assets denominated in foreign currencies and estimated future cash flows fluctuation by foreign currency exchange, the Group hedges currency risk through derivative financial instruments (including forward exchange agreements). These derivative financial instruments assist in decreasing foreign currency fluctuation but cannot eliminate the impact.
- ii. The Group's strategic investment is to hold certain investments in foreign operations, thus, the Group does not hedge the investment.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
Foreign currency			
	amount	Exchange	Book value
(Foreign currency: functional currency)	(In Thousands)	rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,170	\$ 30.71	\$ 2,001,371
USD:RMB	36,678	6.96	1,126,381
RMB:NTD	26,532	4.42	117,271
AUD:NTD	1,538	20.83	32,037
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD:NTD	61,313	30.71	1,897,617
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	15,601	30.71	479,107
USD:RMB	770	6.96	23,647
RMB:NTD	6,859	4.42	30,317

December 31, 2021			
Foreign currency			
	amount	Exchange	Book value
	(In Thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 62,896	\$ 27.68	\$ 1,740,961
USD:RMB	36,827	6.38	1,019,371
RMB:NTD	31,671	4.34	137,452
AUD:NTD	2,804	20.08	56,304
EUR:NTD	914	31.32	28,626
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD:NTD	62,532	27.68	1,735,616
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	16,195	27.68	448,278
USD:RMB	2,638	6.38	73,020
RMB:NTD	16,940	4.34	73,520

- iv. Total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$268,964 and \$53,605, respectively.

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

For the year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 20,014	\$ -
USD:RMB	1%	11,264	-
RMB:NTD	1%	1,173	-
AUD:NTD	1%	320	-
<u>Non-monetary items</u>			
<u>Investments accounted for using equity</u>			
USD:NTD	1%	-	18,976
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	4,791	-
USD:RMB	1%	236	-
RMB:NTD	1%	303	-

For the year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,410	\$ -
USD:RMB	1%	10,194	-
RMB:NTD	1%	1,375	-
AUD:NTD	1%	563	-
EUR:NTD	1%	286	-
<u>Non-monetary items</u>			
<u>Investments accounted for using equity</u>			
USD:NTD	1%	-	17,356
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	4,483	-
USD:RMB	1%	730	-
RMB:NTD	1%	735	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, it is expected that significant price risk would not happen as the Group had assessed the bearable price risk at the time of investing and managed with proper authorisation.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$6,836 and \$2,119, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$24,930 and \$19,148, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Interest rate risk

The Group's long-term borrowing are floating-rate debt, therefore the effective interest rate of its long-term borrowings will vary according to changes in market interest rates, creating fluctuations in future cash flows. If the market interest rate decreases by 100 basis points, the cash outflows for the years ended December 31, 2022 and 2021, will decrease by \$3,803 and \$4,014, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group's treasury measures and control credit risk of deposits with banks, fixed investment income and other financial instruments. The Group's clients and performing parties are banks with good credit quality or financial institutions and companies with investment, thus, the possibility of default is remote and the credit risk is insignificant.
- iii. The Group manages their credit risk taking into consideration the entire group's concern. To maintain quality of accounts receivable, the Group has established procedures relating to credit risk management. Individual customers' risk assessment considers several factors that may influence the customers' ability to pay, such as the customer's financial position, historical transactions and current economic situation. Individual risk limits are set based on internal or external ratings in accordance with limits set by the sales department. The utilisation of credit limits is regularly monitored. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance to reduce credit risk of specific customers.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. As of December 31, 2022 and 2021, the Group assesses the default possibility of accounts receivable for its customers: The provision for not past due and up to 30 days past due both was 0.01% and 0.10%, respectively; The provision for 31 to 360 days past due was 25%~50%; And the provision for past due over a year was 100%. In addition, as of December 31, 2022 and 2021, the Group's balance of receivables past due over 31 days constitutes 0.25% and 0.31%, respectively, of total receivables.
- vi. As of December 31, 2022 and 2021, notes and accounts receivables from the Group's top 3 customers constituted 70% and 67% of the Group's total notes and accounts receivables, respectively. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

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

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

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

	2022	
	Accounts receivable	Notes receivable
At January 1	\$ 1,719	\$ -
Reversal of impairment loss	(1,045)	-
Others	3	-
At December 31	\$ 677	\$ -

	2021	
	Accounts receivable	Notes receivable
At January 1	\$ 3,082	\$ 15
Reversal of impairment loss	(1,014)	-
Others	(349)	(15)
At December 31	\$ 1,719	\$ -

For provisioned loss in 2022 and 2021, the impairment gains arising from customer contracts is \$1,045 and \$1,014, respectively.

(c) Liquidity risk

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

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

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

	December 31, 2022			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 7,082	\$ -	\$ -	\$ -
Accounts payable	965,321	-	-	-
Other payables	730,463	-	-	-
Long-term borrowings (including current portion)	27,654	27,654	82,963	299,588
Lease liability	3,413	3,413	10,238	35,650
	<u>\$1,733,933</u>	<u>\$ 31,067</u>	<u>\$ 93,201</u>	<u>\$ 335,238</u>

Derivative financial liabilities: None

	December 31, 2021			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 10,290	\$ -	\$ -	\$ -
Accounts payable	1,374,094	-	-	-
Other payables	566,738	-	-	-
Long-term borrowings (including current portion)	26,519	26,519	79,480	313,809
	<u>\$1,977,641</u>	<u>\$ 26,519</u>	<u>\$ 79,480</u>	<u>\$ 313,809</u>

Derivative financial liabilities: None

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 136,718	\$ -	\$ -	\$ 136,718
Financial assets at fair value through other comprehensive income				
Equity securities	<u>470,272</u>	<u>-</u>	<u>28,322</u>	<u>498,594</u>
	<u>\$ 606,990</u>	<u>\$ -</u>	<u>\$ 28,322</u>	<u>\$ 635,312</u>
Liabilities:None				
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 42,376	\$ -	\$ -	\$ 42,376
Financial assets at fair value through other comprehensive income				
Equity securities	<u>351,130</u>	<u>-</u>	<u>31,822</u>	<u>382,952</u>
	<u>\$ 393,506</u>	<u>\$ -</u>	<u>\$ 31,822</u>	<u>\$ 425,328</u>
Liabilities:None				

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

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

- D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 31,822	\$ 13,500
Disposal of the remaining investment of the subsidiaries' partial shares (Note)	-	18,322
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(3,500)	-
At December 31	<u>\$ 28,322</u>	<u>\$ 31,822</u>

Note : The Company sold 54% of shares in the subsidiary –Hundure Technology Co., Ltd. on August 4, 2021 and therefore lost control over the subsidiary (please refer to Note 4(3)B note 1).

- F. The Group's treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 periodically, which is to evaluate and measure the fair value of financial instruments.
- H. The Group's equity securities for fair value measurements being categorised within Level 3 are investments in unlisted companies evaluated by net asset value method.

(4) Other matters

Due to Covid-19 outbreak and the government's epidemic prevention measures, the Group has implemented relevant contingency measures and keeps in contact closely with suppliers and customers to adjust the import strategy and arrange the schedule of delivery. The Covid-19 did not have a significant impact to the Group's operations and financial condition. The Group continued monitoring the development of the pandemic situation, and adjusted the strategy immediately in response.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

For the year ended December 31, 2022				
	Asia	America	Adjustment and elimination	Total
Revenue from external customers	\$ 9,404,560	\$ 126,360	\$ -	\$ 9,530,920
Inter-segment revenue	3,084,697	58,505	(3,143,202)	-
Total segment revenue	<u>\$ 12,489,257</u>	<u>\$ 184,865</u>	<u>(\$ 3,143,202)</u>	<u>\$ 9,530,920</u>
Reportable segment profit or loss	<u>\$ 859,721</u>	<u>\$ 20,337</u>	<u>\$ 24,234</u>	<u>\$ 904,292</u>
Segment income:				
Depreciation and amortization	<u>\$ 214,933</u>	<u>\$ 2,483</u>	<u>\$ -</u>	<u>\$ 217,416</u>
For the year ended December 31, 2021				
	Asia	America	Adjustment and elimination	Total
Revenue from external customers	\$ 9,528,119	\$ 158,000	\$ -	\$ 9,686,119
Inter-segment revenue	3,690,303	44,410	(3,734,713)	-
Total segment revenue	<u>\$ 13,218,422</u>	<u>\$ 202,410</u>	<u>(\$ 3,734,713)</u>	<u>\$ 9,686,119</u>
Reportable segment profit or loss	<u>\$ 744,410</u>	<u>\$ 3,448</u>	<u>\$ 15,751</u>	<u>\$ 763,609</u>
Segment income:				
Depreciation and amortization	<u>\$ 233,020</u>	<u>\$ 2,375</u>	<u>\$ -</u>	<u>\$ 235,395</u>

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2022 and 2021 is provided as follows:

	For the years ended December 31,	
	2022	2021
Reportable segments profit and loss	\$ 904,292	\$ 763,609
Dividend income	25,900	13,285
Net currency exchange (gain) loss	268,964 (	53,605)
Gain on disposal of investments	901	65,317
Net gain on financial assets and liabilities at fair value through profit or loss	(5,265)	2,261
Impairment loss on property, plant and equipment	- (	92,728)
Revenue from default penalty	-	100,000
Others	10,421	15,091
Profit before tax and continued operations	\$ 1,205,213	\$ 813,230

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

(5) Information on products and services

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

(6) Geographical information

Revenue from external customers:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 7,052,852	\$ 78,224	\$ 6,812,310	\$ 72,833
Asia	1,549,667	3,072,727	1,954,824	2,596,812
Others	928,401	-	918,985	-
	\$ 9,530,920	\$ 3,150,951	\$ 9,686,119	\$ 2,669,645

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

(7) Major customer information

For the years ended December 31,				
2022			2021	
	Revenue	Segment	Revenue	Segment
C	\$ 3,319,456	Asia and America	\$ 2,539,869	Asia and America
B	2,172,329	Asia	2,356,322	Asia
E	547,487	Asia	937,878	Asia
	<u>\$ 6,039,272</u>		<u>\$ 5,834,069</u>	

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Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					balance during	December 31,						for	Item	Value			
					year ended December 31,	December 31,						doubtful					
					2022	2022						accounts					
1	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Other receivables-related parties	Y	139,184	70,496	70,496	2.00	Note 1(2)	-	Operating turnover	-	None	-	187,717	281,576	Note 2

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

- (1) Business relationship.
- (2) Short-term financing.

Note 2:In accordance with the Investee's policy for granting loans, limit on loans granted to a single party is described as follows:

- (1) For business relationship, the total amount shall not exceed 20% of the net assets value; the limit amount for single party shall not exceed the amount of transaction.
- (2) For short-term financing, the total amount shall not exceed 10% of the net assets value; the limit amount for single party shall not exceed 50% of the net assets value.
- (3) Between the subsidiaries controlled by the same parent company for the business needs short-term financing, the total amount shall not exceed 30% of the net assets value; the limit amount for single party shall not exceed 20% of the net assets value.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

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

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss - current	6,974,362	\$ 96,003	Note 2	\$ 96,003	
	Beneficiary certificates - Yuanta/P-shares Taiwan Dividend Plus ETF	None	Financial assets at fair value through profit or loss - current	500,000	12,700	Note 2	12,700	
	Stocks - Huaku Development Co., Ltd.	None	Financial assets at fair value through profit or loss - current	50,000	4,450	Note 2	4,450	
	Stocks - Formosa Advanced Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - current	110,000	4,213	Note 2	4,213	
	Stocks - Pegatron Corporation	None	Financial assets at fair value through profit or loss - current	66,000	4,191	Note 2	4,191	
	Stocks - Chicony Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss - current	35,000	3,021	Note 2	3,021	
	Stocks - Chipbond Technology Corporation	None	Financial assets at fair value through profit or loss - current	50,000	2,870	Note 2	2,870	
	Stocks - Zeng Hsing Industrial Co., Ltd.	None	Financial assets at fair value through profit or loss - current	20,000	2,380	Note 2	2,380	
	Stocks - ITE Tech. Inc.	None	Financial assets at fair value through profit or loss - current	32,000	2,346	Note 2	2,346	
	Stocks - Dynapack International Technology Corporation	None	Financial assets at fair value through profit or loss - current	25,000	1,825	Note 2	1,825	
	Stocks - Hiyes International Co., Ltd.	None	Financial assets at fair value through profit or loss - current	24,200	1,539	Note 2	1,539	
	Stocks - Syncmold Enterprise Corp.	None	Financial assets at fair value through profit or loss - current	20,000	1,180	Note 2	1,180	
	Stocks - Fine Blanking & Tool Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,552,867	290,030	9.98	290,030	
	Stocks - Advanced International Multitech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,115,000	105,814	Note 2	105,814	
	Stocks - Min Aik Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,077,000	32,310	Note 2	32,310	
	Stocks - Excelsior Medical Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	367,500	24,843	Note 2	24,843	
	Stocks - Hundure Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	990,390	18,322	9.51	18,322	
	Stocks - King Chou Marine Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	350,000	13,475	Note 2	13,475	
	Stocks - Sunsino Development Associate Inc.	None	Financial assets at fair value through other comprehensive income - non-current	833,406	5,000	Note 2	5,000	
	Stocks - NCKU Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,300,000	5,000	8.33	5,000	
	Stocks - Launch Technologies Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	50,000	3,800	Note 2	3,800	
	Stocks - Saint Pin Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	251,835	-	Note 2	-	
	Stocks - Nailermate Enterprise Corp.	None	Financial assets at fair value through other comprehensive income - non-current	39	-	Note 2	-	
	Stocks - Sing Bee Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	511,928	-	Note 2	-	
	Stocks - Tsu Yung Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400,000	-	Note 2	-	
	Stocks - MAP TECHNOLOGY HOLDINGS LIMITED	None	Financial assets at fair value through other comprehensive income - non-current	7,853,941	-	5.47	-	
	Stocks - Hwa Nan Co., Ltd.	Note 1	Financial assets at fair value through other comprehensive income - non-current	85,891	-	15.85	-	
	Stocks - Ofis International Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	720,000	-	Note 2	-	
	Stocks - Melten Connected Healthcare Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,111,111	-	Note 2	-	

Note 1: Same board chairman.

Note 2: It is not disclosed as the ownership does not exceed 5%.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

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

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2022	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	85,851,766	\$ 1,178,000	78,877,404	\$ 1,082,371	\$ 1,082,000	\$ 371	6,974,362	\$ 96,000
	Beneficiary certificates - Union Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	54,013,466	722,000	54,013,466	722,195	722,000	195	-	-
	Beneficiary certificates - Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	20,717,929	338,000	20,717,929	338,054	338,000	54	-	-
Fortress Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	54,555,995	748,000	54,555,995	748,228	748,000	228	-	-

Company Name

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

Year ended December 31, 2022

Expressed in thousands of NTD

Table 4

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:														
Real estate acquired by	Real estate acquired	Date of the event	Currency	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Relationship		Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
								Original owner who sold the real estate to the counterparty	between the original owner and the acquirer					
Taiwan Fu Hsing Industrial Co., Ltd.	Plant	2022.9.27	NTD	\$ 506,216	\$ 414,973	Dyna Rechi Co.,Ltd.	A non-related party	-	-	-	\$ -	Negotiated and by reference to the appraisal report	Operational needs	Note 3
		(Note 1)			(Note 2)									

Note 1: On August 3, 2021, the Boards of Directors of the Company resolved to purchase land and plants for operational expansion; on September 27, 2022, the Company entered into a real estate agreement and paid the consideration based on the agreement.

Note 2: The transfer of the plant had been registered on December 16, 2022, and the final payment of \$91,243 was settled on January 4, 2023.

Note 3: As stipulated in the real estate agreement, if the buyer is still unable to obtain the zone entry permit within six months from the date of applying for the zone entry, which regarded as neither of the parties is imputed, the real estate agreement can be terminated unconditionally by either party.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Indirectly-owned subsidiary	Purchases	\$ 1,601,162	34	Agreement	Note	Note	(\$ 288,044)	(44)	
	Techform Industrial Co., Ltd.	Subsidiary	Purchases	525,661	11	Agreement	Note	Note	(40,753)	(6)	
	Sunion Technology Co., Ltd.	Subsidiary	Purchases	173,558	4	Agreement	Note	Note	(17,678)	(3)	
Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Affiliated company	Purchases	223,230	21	Agreement	Note	Note	(48,549)	(24)	
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(1,601,162)	(100)	Agreement	Note	Note	288,044	99	
Techform Industrial Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(525,661)	(77)	Agreement	Note	Note	40,753	45	
Sunion Technology Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(173,558)	(90)	Agreement	Note	Note	17,678	87	
Arctek Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Affiliated company	(Sales)	(223,230)	(68)	Agreement	Note	Note	48,549	81	

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2022

Table 6

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	\$ 288,044	5.49	\$ -	-	\$ 118,704	\$ -

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2022

Table 7
Transactions amount between the parent company and subsidiaries or between subsidiaries reaching \$10 million is provided below and descriptions are disclosed in Note 2, and the same transaction is disclosed only once. Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	1	Purchases	\$ 1,601,162	Agreement	16.80%
		"	"	Purchases	288,044	Agreement	3.13%
		"	"	Accounts payable - related parties	15,821	Agreement	0.17%
		Techform Industrial Co., Ltd.	1	Other payables - related parties	525,661	Agreement	5.52%
		"	"	Sales	40,753	Agreement	0.44%
		Sunion Technology Co., Ltd.	1	Operating expense	173,558	Agreement	1.82%
		"	"	Accounts receivable - related parties	17,678	Agreement	0.19%
		Ziyong Hardware Products (Taicang) Co., Ltd.	1	Other payables - related parties	73,310	Agreement	0.77%
		FU HSING AMERICAS INC.	1	Purchases	40,069	Agreement	0.42%
		"	"	Accounts payable - related parties	58,356	Agreement	0.61%
		"	"	Purchases	13,616	Agreement	0.15%
1	Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Purchases	223,230	Agreement	2.34%
		"	"	Accounts payable - related parties	48,549	Agreement	0.53%
		"	"	Purchases	12,462	Agreement	0.13%
		Fortress Door Control Product (Changshu) Co., Ltd.		Service revenue	82,802	Agreement	0.87%
		Rui Sheng Industrial Co., Ltd.	3	Purchases	12,683	Agreement	0.13%
2	Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	3	Sales	52,116	Agreement	0.55%
		"	"	Purchases	44,401	Agreement	0.47%
3	Ziyong Hardware Products (Taicang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	51,005	Agreement	0.54%
4	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	3	Other receivables - related parties (Loans to)	70,496	Agreement	0.77%
		Changshu Fortune Packing Material Co., Ltd.	3	Purchases	22,629	Agreement	0.24%
5	Rui Sheng Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Sales	32,790	Agreement	0.34%
		"	"	Accounts payable - related parties	14,196	Agreement	0.15%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investees

Year ended December 31, 2022

Expressed in thousands of NTD

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income(loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Enterprise Co., Ltd.	SAMOA	Investment holdings	\$ 741,744	\$ 741,744	23,704,000	100	\$ 861,712	\$ 37,791	\$ 37,566	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Techform Industrial Co., Ltd.	Taiwan	Processing of hardware products	800,000	800,000	80,000,000	100	780,061	35,357	34,883	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Taiwan	Sales and manufacture of door locks, transom closers and floor springs	410,231	410,231	39,930,000	100	678,144	40,015	40,408	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Master United Investment Group Ltd.	British Virgin Islands	Investment holdings	538,240	538,240	1,560,000	100	698,580	14,084	17,000	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Fu Hsing Americas Inc.	U.S.A	Sales of door locks and related accessories	11,263	11,263	300,000	100	130,995	5,121	5,181	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	65,200	65,200	5,838	70	84,455	11,490	7,914	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Sunion Technology Co., Ltd.	Taiwan	Sales and manufacture of electronic lock parts	29,000	29,000	4,100,000	100	58,372	15,622	15,622	
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	14,000	14,000	756,000	70	26,270	6,278	-	Note 2
Formflex Enterprise Co., Ltd.	Fortune Industrial Ltd.	SAMOA	Investment holdings	6,698	6,698	204,000	51	12,451	2,005	-	Note 2

Note 1: The difference of the investee company’s gain (loss) in the current year and the Company’s investment gain (loss) recognized was the unrealized gain (loss) arising from intercompany transactions.

Note 2: Those amounts have been included in the investment income (loss) of the Company on the investees accounted for under the equity method.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2022

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formflex Material Industrial (Changshu) Ltd.	Sales and manufacture of architectural door and locks and related accessories	\$ 735,090	(2)	\$ 735,090	\$ -	\$ -	\$ 735,090	\$ 129,702	100	\$ 129,702	\$ 938,587	\$ 686,717	Note 2
Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories and furniture	512,839	(2)	520,957	-	-	520,957	14,083	100	14,083	676,274	346,665	Note 2
Fortress door control product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	90,750	(1)	90,750	-	-	90,750	(24,353)	100	(24,353)	49,321	-	Note 2 、 Note 5
ChangShu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	(4,212)	51	(2,148)	10,509	-	Note 2 、 Note 6
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	(7,487)	100	(7,487)	(57,363)	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	\$ 1,262,745	\$ 1,262,745	\$ 4,023,480	Note 3
Fortress Industrial Co., Ltd.	90,750	90,750	451,085	Note 4

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

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

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

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

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

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

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

Note 5: On June 20, 2022, the shareholders resolved to terminate operation and deregister Fortress Door Control Product (Changshu) Co., Ltd. The related procedures are still in process.

Note 6: On October 20, 2022, the shareholders resolved to terminate operation and deregister Changshu Fortune Packing Material Co., Ltd. The related procedures are still in process.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area
Year ended December 31, 2022

Table 10

Expressed in thousands of NTD

Purchaser/seller	Investee in Mainland China	Provision of														
		Sale (purchase)		Property transaction		Accounts receivable (payable)		Other receivables		endorsements/guarantees or collaterals		Financing				
		Amount	%	Amount	%	Balance at December 31, 2022	%	Amount	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Material Industrial (Changshu) Co., Ltd.	(\$ 1,601,162)	(34)	\$ 3,212	29	(\$ 303,865)	(25)	\$ 72	3	\$ -	-	\$ -	-	\$ -	-	\$ -
Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	(73,310)	(2)	-	0	(5,339)	(1)	-	0	-	-	-	-	-	-	-
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	52,116	8	-	0	6,330	7	-	0	-	-	-	-	-	-	-
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	(44,401)	(9)	-	0	(6,244)	(12)	-	0	-	-	-	-	-	-	-
Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	(82,802)	(8)	-	0	-	0	-	0							

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Major shareholders information
December 31,2022

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.97%
Fubon Life Insurance Co., Ltd.	10,886,000	5.77%
Fu Chih Investment Development Co.,Ltd.	10,091,307	5.35%
Fiuding Investment Trust Co.,Ltd.	9,428,254	5.00%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

Note 4: Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

Note 5: Total shares transferred in dematerialised form (including treasury shares) amounted to 188,452,170 shares=188,452,170 common shares + 0 preference shares.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000376

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

Opinion

We have audited the accompanying parent company only balance sheets of Taiwan Fu Hsing Industrial Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Cut-off of export sales revenue recognition

Description

Please refer to Note 4(26) for accounting policies on revenue recognition.

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

How our audit addressed the matter

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

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

Allowance for inventory valuation losses

Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(5) for details of inventory valuation.

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

How our audit addressed the matter

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

- A. We assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates; and
- B. We verified that the information on the inventory valuation loss statement was consistent with its policies, randomly checked individual inventory number and inventory clearance, and then assessed the appropriateness of allowance for inventory valuation losses.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$58,372 thousand and NT\$42,729 thousand, constituting 1% of the total assets as at December 31, 2022 and 2021, respectively, and the comprehensive income recognised from associates and joint ventures accounted for under the equity method amounted to NT\$15,622 thousand and NT\$11,079 thousand, constituting 1% and 2% of the total comprehensive income for the years then ended, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Wang, Kuo-Hua

Wu, Chien-Chin

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 925,229	11	\$ 1,047,201	14
1110	Financial assets at fair value through profit or loss - current	6(2)	136,718	2	42,376	-
1136	Current financial assets at amortised cost	6(3) and 8	41,582	-	64,094	1
1150	Notes receivable, net	6(4)	23,194	-	26,966	-
1170	Accounts receivable, net	6(4)	1,045,739	13	1,089,812	14
1180	Accounts receivable - related parties	6(4) and 7	6,645	-	48,449	1
1210	Other receivables - related parties	7	771	-	881	-
130X	Inventories	5 and 6(5)	461,344	6	684,723	9
1476	Other current financial assets		1,451	-	203	-
1479	Other current assets, others		72,779	1	58,057	1
11XX	Current Assets		2,715,452	33	3,062,762	40
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	498,594	6	382,952	5
1550	Investments accounted for under equity method	6(7)	3,535,978	43	3,248,697	43
1600	Property, plant and equipment	6(8)	1,322,146	16	816,269	11
1755	Right-of-use assets	6(9)	44,852	1	-	-
1780	Intangible assets		715	-	1,568	-
1840	Deferred income tax assets	6(21)	46,024	1	50,800	1
1980	Other non-current financial assets		10,919	-	10,919	-
1990	Other non-current assets, others		6,580	-	2,269	-
15XX	Non-current assets		5,465,808	67	4,513,474	60
1XXX	Total assets		\$ 8,181,260	100	\$ 7,576,236	100

(Continued)

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021					
			AMOUNT	%	AMOUNT	%				
Current liabilities										
2170	Accounts payable		\$	306,930	4	\$	439,087	6		
2180	Accounts payable - related parties	7		351,814	4		380,775	5		
2200	Other payables	6(10)		504,761	6		354,687	4		
2220	Other payables - related parties	7		29,933	1		55,557	1		
2230	Current income tax liabilities			93,516	1		58,867	1		
2399	Other current liabilities, others			15,000	-		22,032	-		
21XX	Current Liabilities			1,301,954	16		1,311,005	17		
Non-current liabilities										
2570	Deferred income tax liabilities	6(21)		162,673	2		134,761	2		
2580	Non-current lease liabilities			42,159	1		-	-		
2640	Accrued pension liabilities	6(11)		29,437	-		76,960	1		
25XX	Non-current liabilities			234,269	3		211,721	3		
2XXX	Total Liabilities			1,536,223	19		1,522,726	20		
Equity										
Share capital										
3110	Share capital - common stock	6(12)		1,884,521	23		1,884,521	25		
Capital surplus										
3200	Capital surplus	6(13)		567,114	7		567,114	7		
Retained earnings										
3310	Legal reserve	6(14)		1,268,103	16		1,199,351	16		
3320	Special reserve			193,516	2		207,950	3		
3350	Unappropriated retained earnings			2,819,680	34		2,388,090	32		
Other equity interest										
3400	Other equity interest	6(15)	(87,897)	(1)	(193,516)	(3)
3XXX	Total equity			6,645,037	81		6,053,510	80		
Significant contingent liabilities and unrecognised contract commitments										
Significant events after the balance sheet date										
3X2X	Total liabilities and equity		\$	8,181,260	100	\$	7,576,236	100		

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16) and 7	\$	6,758,383	100	\$ 6,664,013	100
5000 Operating costs	6(5)(11)(19)(20) and 7	(	5,622,682)	(83)	(5,592,362)	(84)
5900 Net operating margin			1,135,701	17	1,071,651	16
Operating expenses	6(11)(19)(20) and 7					
6100 Selling expenses		(	186,960)	(3)	(153,398)	(2)
6200 General and administrative expenses		(	233,872)	(3)	(232,624)	(4)
6300 Research and development expenses		(	101,606)	(2)	(97,684)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		1,021	-	226	-
6000 Total operating expenses		(	521,417)	(8)	(483,480)	(7)
6900 Operating profit			614,284	9	588,171	9
Non-operating income and expenses						
7100 Interest income			16,139	-	4,736	-
7010 Other income	6(17)		28,990	-	118,298	2
7020 Other gains and losses	6(18)		143,079	2	41,503	-
7050 Finance costs		(	211)	-	(500)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net			301,900	5	49,001	1
7000 Total non-operating income and expenses			489,897	7	213,038	3
7900 Profit before income tax			1,104,181	16	801,209	12
7950 Income tax expense	6(21)	(	194,422)	(3)	(133,730)	(2)
8200 Profit for the year		\$	909,759	13	\$ 667,479	10
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(11)	\$	38,804	-	\$ 21,099	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(6)(15)		59,937	1	30,199	1
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(	2,634)	-	(2,909)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(	7,760)	-	(4,220)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss			88,347	1	49,987	1
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Other comprehensive income (loss), before tax, exchange differences on translation	6(15)		181,266	3	(52,126)	(1)
8380 Total Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(	135,560)	(2)	(36,620)	(1)
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss			45,706	1	(15,506)	-
8300 Other comprehensive income for the year		\$	134,053	2	\$ 34,481	1
8500 Total comprehensive income for the year		\$	1,043,812	15	\$ 701,960	11
Basic earnings per share	6(22)					
9750 Total basic earnings per share		\$	4.83		\$ 3.54	
9850 Total diluted earnings per share		\$	4.70		\$ 3.46	

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Capital surplus, additional paid- in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>2021</u>									
Balance at January 2021		\$ 1,884,521	\$ 567,114	\$ 1,117,684	\$ 262,532	\$ 2,217,625	(\$ 212,814)	\$ 4,864	\$ 5,841,526
Net income for 2021		-	-	-	-	667,479	-	-	667,479
Other comprehensive (loss) income for 2021	6(6)(15)	-	-	-	-	19,788	(15,506)	30,199	34,481
Total comprehensive income (loss)		-	-	-	-	687,267	(15,506)	30,199	701,960
Distribution of 2020 earnings:									
Legal reserve		-	-	81,667	-	(81,667)	-	-	-
Special reserve		-	-	-	(54,582)	54,582	-	-	-
Cash dividends	6(14)	-	-	-	-	(489,976)	-	-	(489,976)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(6)(15)	-	-	-	-	259	-	(259)	-
Balance at December 31, 2021		\$ 1,884,521	\$ 567,114	\$ 1,199,351	\$ 207,950	\$ 2,388,090	(\$ 228,320)	\$ 34,804	\$ 6,053,510
<u>2022</u>									
Balance at January 2022		\$ 1,884,521	\$ 567,114	\$ 1,199,351	\$ 207,950	\$ 2,388,090	(\$ 228,320)	\$ 34,804	\$ 6,053,510
Net income for 2021		-	-	-	-	909,759	-	-	909,759
Other comprehensive income for 2022	6(6)(15)	-	-	-	-	28,410	45,706	59,937	134,053
Total comprehensive income		-	-	-	-	938,169	45,706	59,937	1,043,812
Distribution of 2021 earnings:									
Legal reserve		-	-	68,752	-	(68,752)	-	-	-
Special reserve		-	-	-	(14,434)	14,434	-	-	-
Cash dividends	6(14)	-	-	-	-	(452,285)	-	-	(452,285)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(6)(15)	-	-	-	-	24	-	(24)	-
Balance at December 31, 2022		\$ 1,884,521	\$ 567,114	\$ 1,268,103	\$ 193,516	\$ 2,819,680	(\$ 182,614)	\$ 94,717	\$ 6,645,037

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,104,181	\$ 801,209
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	(1,021)	(226)
Net loss on financial assets or liabilities at fair value through profit or loss	6(18)	5,212	595
Depreciation expense	6(8)(19)	62,159	57,632
Amortization expense	6(19)	2,309	4,758
Share of profit or loss of associates and joint ventures accounted for using equity method		(301,900)	(49,001)
Dividend income	6(17)	(25,900)	(13,285)
Interest income		(16,139)	(4,736)
Interest expense		211	500
Gain on disposal of investments	6(18)	(672)	(65,265)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(98,882)	503,656
Notes receivable		3,772	(9,014)
Accounts receivable		45,094	35,403
Accounts receivable - related parties		41,804	23,235
Other receivables - related parties		110	16,139
Inventories		223,379	(266,414)
Other financial assets - current		(217)	2,233
Other current assets - others		(14,722)	(10,457)
Changes in operating liabilities			
Notes payable		-	(113)
Accounts payable		(132,157)	73,679
Accounts payable - related parties		(28,961)	(83,970)
Other payables		54,971	(76,142)
Other payables - related parties		(25,624)	20,257
Other current liabilities - others		(9,724)	7,120
Net defined benefit liability, non-current		(8,719)	(8,920)
Cash inflow generated from operations		878,564	958,873
Dividends received		83,591	175,781
Interest received		15,108	5,012
Interest paid		(211)	(500)
Income tax paid		(134,846)	(214,660)
Net cash flows from operating activities		842,206	924,506

(Continued)

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 153,456)	(\$ 182,838)
Proceeds from disposal of financial assets at amortised cost		175,968	252,421
Acquisition of financial assets at fair value through other comprehensive income		(55,789)	(13,093)
Proceeds from disposal of financial assets at fair value through other comprehensive income		84	1,263
Proceeds from disposal of investments accounted for using equity method		-	160,953
Acquisition of proerty, plant and equipment	6(23)	(450,394)	(27,886)
Increase in prepaid equipment		(28,031)	(42,095)
Acquisition of intangible assets		(275)	(679)
Increase in other financial assets - non- current		-	(2,253)
Net cash flows (used in) from investing activities		(511,893)	145,793
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid	6(14)	(452,285)	(489,976)
Net cash flows used in financing activities		(452,285)	(489,976)
Net (decrease) increase in cash and cash equivalents		(121,972)	580,323
Cash and cash equivalents at beginning of year	6(1)	1,047,201	466,878
Cash and cash equivalents at end of year	6(1)	<u>\$ 925,229</u>	<u>\$ 1,047,201</u>

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 8, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment : proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts – cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non – current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

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

- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRS”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

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

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Inventories

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

(13) Investments accounted for under the equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financials and operating policies. In general, it is presumed that the parent has the power to govern the financials and operating policies, if a parent holds, directly or indirectly, more than half of the voting power of an entity. Investments in subsidiaries are accounted for under the equity method in these parent company only financial statements.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

- D. When the Company loses control over its subsidiary, the remaining investment in the former subsidiary was remeasured at fair value, and the difference between the fair value and the carrying amount was recognised in profit or loss for the period. The amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

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

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

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

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

(16) Intangible assets

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

(17) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the

circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Non-hedge derivatives

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

(22) Provisions

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Termination benefits

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

D. Employees' remuneration and directors' remuneration

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells door locks and related accessories and furniture. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer based on the agreed terms, the customer has full discretion over the usage of the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) The products are often sold with sales discounts based on aggregate sales over a one-year period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate and provide for the sales discounts using the expected value method. A refund liability (shown as 'other payables') is recognised for expected sales discounts payable to customers in relation to sales made until the end of the reporting period.
- (c) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Services rendered

Revenue from services rendered by the Company in accordance with the contract is recognised based on the stage of completion.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2022, the carrying amount of inventories was \$461,344.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and petty cash	\$ 287	\$ 281
Checking and demand deposits	<u>29,963</u>	<u>55,406</u>
	30,250	55,687
Cash equivalents:		
Time deposits	<u>894,979</u>	<u>991,514</u>
	<u>\$ 925,229</u>	<u>\$ 1,047,201</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

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

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value		
Listed (TSE and OTC) stocks	\$ 33,542	\$ 27,082
Beneficiary certificates	<u>110,275</u>	<u>14,275</u>
	143,817	41,357
Valuation adjustment	(7,099)	1,019
	<u>\$ 136,718</u>	<u>\$ 42,376</u>

A. The information on financial assets at fair value through profit or loss recognised in net gains and losses is provided in Note 6(18).

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

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

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Restricted bank deposits	\$ 5,835	\$ 2,491
Time deposits with original maturity date	35,747	61,603
	<u>\$ 41,582</u>	<u>\$ 64,094</u>

- A. Interest income from time deposits was recognised under interest income from bank deposits.
- B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$41,582 and \$64,094, respectively.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 23,194	\$ 26,966
Less: Allowance for bad debts	-	-
	<u>\$ 23,194</u>	<u>\$ 26,966</u>
Accounts receivable	\$ 1,046,377	\$ 1,091,471
Less: Allowance for bad debts	(638)	(1,659)
	<u>\$ 1,045,739</u>	<u>\$ 1,089,812</u>
Accounts receivable - related parties	<u>\$ 6,645</u>	<u>\$ 48,449</u>

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

	December 31, 2022		December 31, 2021	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 23,194	\$ 968,864	\$ 26,966	\$ 1,096,145
Past due				
Up to 30 days	-	83,190	-	40,972
31 to 60 days	-	168	-	1,711
61 to 90 days	-	5	-	-
91 to 180 days	-	756	-	52
181 to 360 days	-	39	-	-
Over 360 days	-	-	-	1,040
	<u>\$ 23,194</u>	<u>\$ 1,053,022</u>	<u>\$ 26,966</u>	<u>\$ 1,139,920</u>

The above ageing analysis was based on past due date.

- A. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,216,510.
- B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$1,075,578 and \$1,165,227, respectively.
- C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance	Book value
Raw materials	\$ 26,535	(\$ 3,714)	\$ 22,821
Work in process	234,139	(61,348)	172,791
Finished goods	281,695	(15,963)	265,732
	<u>\$ 542,369</u>	<u>(\$ 81,025)</u>	<u>\$ 461,344</u>
	December 31, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 44,769	(\$ 1,922)	\$ 42,847
Work in process	332,799	(87,147)	245,652
Finished goods	396,715	(491)	396,224
	<u>\$ 774,283</u>	<u>(\$ 89,560)</u>	<u>\$ 684,723</u>

The cost of inventories recognised as expense for the years ended December 31, 2022 and 2021 was \$5,622,682 and \$5,592,362, respectively, including the amount of \$8,535, that the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventories were scrapped or sold in 2022, as well as the amount of \$33,993, of cost of sales recognised for writing down the inventory cost to net realisable value in 2021.

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

Item	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Listed (TSE and OTC) stocks	\$ 323,275	\$ 267,547
Unlisted stocks	<u>80,602</u>	<u>80,602</u>
	403,877	348,149
Valuation adjustment	<u>94,717</u>	<u>34,803</u>
	<u>\$ 498,594</u>	<u>\$ 382,952</u>

- A. The Company has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$498,594 and \$382,952 as at December 31, 2022 and 2021, respectively.

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

	For the years ended December 31,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>59,937</u>	\$ <u>30,199</u>
Cumulative losses reclassified to retained earnings due to derecognition	(\$ <u>24</u>)	(\$ <u>259</u>)
Dividend income recognised in profit or loss		
Held at end of year	\$ <u>22,563</u>	\$ <u>10,873</u>

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$498,594 and \$382,952, respectively.

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

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

(7) Investments accounted for under the equity method

<u>Investees</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Carrying amount</u>	<u>Percentage of ownership</u>	<u>Carrying amount</u>	<u>Percentage of ownership</u>
Subsidiaries:				
FORMFLEX ENTERPRISE CO., LTD.	\$ 983,215	100%	\$ 861,712	100%
TECHFORM INDUSTRIAL CO., LTD.	789,893	100%	780,061	100%
FORTRESS INDUSTRIAL CO., LTD.	750,466	100%	678,144	100%
MASTER UNITED INVESTMENT GROUP LTD.	698,580	100%	670,581	100%
FU HSING AMERICAS INC.	166,501	100%	130,995	100%
ARCTEK INDUSTRIAL CO., LTD.	134,184	70%	129,688	70%
SUNION TECHNOLOGY CO., LTD.	<u>58,372</u>	100%	<u>42,749</u>	100%
	3,581,211		3,293,930	
Less: Accumulated impairment	(<u>45,233</u>)		(<u>45,233</u>)	
	<u>\$ 3,535,978</u>		<u>\$ 3,248,697</u>	

- A. Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information relating to the subsidiaries of the Company.
- B. On August 4, 2021, the Company sold 54% of shares in the subsidiary- Hundure Technology Co., Ltd. (“Hundure Technology”). Therefore, the Company lost control over the subsidiary and recognised the remaining investment in the former subsidiary (shown as non-current financial assets at fair value through other comprehensive income) at the fair value of the financial assets where the Company lost control. The Company recognised gain on disposal of investment in the amount of \$63,996, please refer to Note 6(18).

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(8) Property, plant and equipment

						Construction in progress and prepayments for equipment	
	Land	Buildings and structures	Machinery	Molds	Others		Total
<u>January 1, 2022</u>							
Cost	\$ 551,945	\$ 219,160	\$ 244,493	\$ 61,003	\$ 43,444	\$ 6,422	\$ 1,126,467
Accumulated depreciation and impairment	-	(165,107)	(99,388)	(26,447)	(19,256)	-	(310,198)
	<u>\$ 551,945</u>	<u>\$ 54,053</u>	<u>\$ 145,105</u>	<u>\$ 34,556</u>	<u>\$ 24,188</u>	<u>\$ 6,422</u>	<u>\$ 816,269</u>
<u>2022</u>							
Opening net book amount as at January 1	\$ 551,945	\$ 54,053	\$ 145,105	\$ 34,556	\$ 24,188	\$ 6,422	\$ 816,269
Additions	-	509,455	795	14,233	4,519	16,495	545,497
Prepayment for equipment transferred	-	-	25,745	6,669	135	(10,010)	22,539
Depreciation charge	-	(5,683)	(28,108)	(20,803)	(7,565)	-	(62,159)
Disposals - cost	-	(61)	(7,495)	(15,090)	(2,052)	-	(24,698)
Disposals - accumulated depreciation	-	61	7,495	15,090	2,052	-	24,698
Closing net book amount as at December 31, 2022	<u>\$ 551,945</u>	<u>\$ 557,825</u>	<u>\$ 143,537</u>	<u>\$ 34,655</u>	<u>\$ 21,277</u>	<u>\$ 12,907</u>	<u>\$ 1,322,146</u>
<u>At December 31, 2022</u>							
Cost	\$ 551,945	\$ 728,554	\$ 263,538	\$ 66,815	\$ 46,046	\$ 12,907	\$ 1,669,805
Accumulated depreciation and impairment	-	(170,729)	(120,001)	(32,160)	(24,769)	-	(347,659)
	<u>\$ 551,945</u>	<u>\$ 557,825</u>	<u>\$ 143,537</u>	<u>\$ 34,655</u>	<u>\$ 21,277</u>	<u>\$ 12,907</u>	<u>\$ 1,322,146</u>

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>January 1, 2021</u>							
Cost	\$ 551,945	\$ 219,160	\$ 203,379	\$ 55,393	\$ 55,111	\$ 17,601	\$ 1,102,589
Accumulated depreciation and impairment	-	(159,236)	(84,281)	(30,323)	(28,690)	-	(302,530)
	<u>\$ 551,945</u>	<u>\$ 59,924</u>	<u>\$ 119,098</u>	<u>\$ 25,070</u>	<u>\$ 26,421</u>	<u>\$ 17,601</u>	<u>\$ 800,059</u>
<u>2021</u>							
Opening net book amount as at January 1	\$ 551,945	\$ 59,924	\$ 119,098	\$ 25,070	\$ 26,421	\$ 17,601	\$ 800,059
Additions	-	-	1,005	13,933	3,406	10,892	29,236
Prepayment for equipment transferred	-	-	50,574	13,682	2,421	(22,071)	44,606
Depreciation charge	-	(5,871)	(25,572)	(18,129)	(8,060)	-	(57,632)
Disposals - cost	-	-	(10,465)	(22,005)	(17,494)	-	(49,964)
Disposals - accumulated depreciation	-	-	10,465	22,005	17,494	-	49,964
Closing net book amount as at December 31, 2021	<u>\$ 551,945</u>	<u>\$ 54,053</u>	<u>\$ 145,105</u>	<u>\$ 34,556</u>	<u>\$ 24,188</u>	<u>\$ 6,422</u>	<u>\$ 816,269</u>
<u>At December 31, 2021</u>							
Cost	\$ 551,945	\$ 219,160	\$ 244,493	\$ 61,003	\$ 43,444	\$ 6,422	\$ 1,126,467
Accumulated depreciation and impairment	-	(165,107)	(99,388)	(26,447)	(19,256)	-	(310,198)
	<u>\$ 551,945</u>	<u>\$ 54,053</u>	<u>\$ 145,105</u>	<u>\$ 34,556</u>	<u>\$ 24,188</u>	<u>\$ 6,422</u>	<u>\$ 816,269</u>

A. No borrowing costs was capitalised for the years ended December 31, 2022 and 2021.

B. The significant components of buildings include main plants and renovations, which are depreciated over 40 ~ 55 and 25 years, respectively.

C. The Company has no property, plant and equipment pledged to others as collateral.

(9) Leasing arrangements — lessee

A. In December 2022, the Company leased the national land of Pingtung Technology Industrial Park from Pingtung Export Processing Zone Administration, Ministry of Economic Affairs. Rental contracts are made for periods of 10 years. The rental contract was determined based on mutual agreement and did not impose special covenants or agreements.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Book value</u>	<u>Depreciation charge</u>
Land	\$ 44,852	\$ -

For the year ended December 31, 2022, the additions to right-of-use assets were \$44,852; there was no such issue for the year ended December 31, 2021.

(10) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus	\$ 263,306	\$ 225,225
Equipment payable	97,051	1,948
Refund liabilities	65,209	59,751
Directors' remuneration	19,500	14,100
Labour and health insurance fees	13,047	14,326
Others	46,648	39,337
	<u>\$ 504,761</u>	<u>\$ 354,687</u>

(11) Pensions

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of funded obligations	\$ 334,094	\$ 369,134
Fair value of plan assets	(304,657)	(292,174)
Net defined benefit liability	<u>\$ 29,437</u>	<u>\$ 76,960</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 369,134	(\$ 292,174)	\$ 76,960
Current service cost	1,656	-	1,656
Interest expense (income)	<u>2,584</u>	<u>(2,045)</u>	<u>539</u>
	<u>373,374</u>	<u>(294,219)</u>	<u>79,155</u>
Remeasurements:			
Return on plan assets	-	(21,592)	(21,592)
Change in population assumptions	1,928	-	1,928
Change in financial assumptions	(9,814)	-	(9,814)
Experience adjustments	<u>(9,326)</u>	<u>-</u>	<u>(9,326)</u>
	<u>(17,212)</u>	<u>(21,592)</u>	<u>(38,804)</u>
Pension fund contribution	-	(10,914)	(10,914)
Paid pension	<u>(22,068)</u>	<u>22,068</u>	<u>-</u>
Balance at December 31	<u>\$ 334,094</u>	<u>(\$ 304,657)</u>	<u>\$ 29,437</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 384,401	(\$ 277,422)	\$ 106,979
Current service cost	2,465	-	2,465
Interest expense (income)	<u>1,153</u>	<u>(832)</u>	<u>321</u>
	<u>388,019</u>	<u>(278,254)</u>	<u>109,765</u>
Remeasurements:			
Return on plan assets	-	(4,172)	(4,172)
Change in population assumptions	228	-	228
Change in financial assumptions	(10,094)	-	(10,094)
Experience adjustments	<u>(7,061)</u>	<u>-</u>	<u>(7,061)</u>
	<u>(16,927)</u>	<u>(4,172)</u>	<u>(21,099)</u>
Pension fund contribution	-	(11,706)	(11,706)
Paid pension	<u>(1,958)</u>	<u>1,958</u>	<u>-</u>
Balance at December 31	<u>\$ 369,134</u>	<u>(\$ 292,174)</u>	<u>\$ 76,960</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2022	2021
Discount rate	<u>1.20%</u>	<u>0.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Effect on present value of defined benefit obligation				
December 31, 2022	(\$ 4,757)	\$ 4,909	\$ 4,167	(\$ 4,063)
December 31, 2021	(\$ 5,908)	\$ 6,105	\$ 5,226	(\$ 5,091)

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$10,188.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	104,173
Within 2 years		30,119
Within 3 years		23,052
Within 4 years		24,446
Within 5 years		16,483
Within 6 to 10 years		<u>75,993</u>
	\$	<u>274,266</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$26,316 and \$26,597, respectively.

(12) Share capital

- A. As of December 31, 2022 and 2021, the Company's authorised capital was \$2,424,000, consisting of 242,400 thousand shares of common stock (of which 10 million shares are reserved for the issuance of stock warrants and preferred shares with stock warrants and corporate bonds with stock warrants), at a par value of \$10 (in dollars) per share. One share has a voting right, and total shares issued are 188,452 thousand shares.
- B. The beginning and ending amount of the Company's outstanding common stocks were both 188,452 thousand shares.

(13) Capital surplus

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

(14) Retained earnings

- A. Where the Company accrues profit every year, after paying all regulatory taxes and dues, 10% of the earnings should be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. And set aside or reverse special reserve as required by the regulations when necessary.

When the Company appropriates special reserve in accordance with the laws, an equivalent amount of special reserve shall be set aside from the undistributed earnings of the prior year based on the insufficiency of the cumulative decrease of equity of the prior year before the earning distribution. If it is insufficient to be set aside, the current post-tax profit plus the amount other than the current post-tax profit are included in the appropriation of the current unappropriated earnings.

After the provision or reversal of special reserve as required by the regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years as accumulated distributable earnings for shareholders shall be proposed by the Board of Directors and approved by the shareholders.

The appropriation shall be proposed by the Board of Directors and resolved by the shareholders if the Company distributes dividends and bonus, legal reserve and capital surplus, in whole or in part, by issuing new shares; the appropriation shall be authorised to the Board of Directors, upon approval adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported to the shareholders, if dividends and bonus, legal reserve and capital surplus, in whole or in part, are distributed in the form of cash.

The Company's dividend distribution policy aligns with the future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year the dividend must

not be less than 30% of earnings. The dividend and bonus can be distributed in cash or shares, among which the cash dividend must not be less than 50% of the appropriated dividend.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying provision for land revaluation increment to retained earnings as of December 31, 2022 and 2021 were both \$48,991.
- D. On May 27, 2022 and July 2, 2021, the shareholders resolved that distribution of dividends for ordinary shares and total dividends were \$2.4 (in dollars) per share and \$452,285, \$2.6 (in dollars) per share and \$489,976, respectively. On March 8, 2023, the Board of Directors proposed to distribute dividends of NT\$2.9 (in dollars) per share totaling \$546,511.

(15) Other equity items

	2022		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 228,320)	\$ 34,804	(\$ 193,516)
Revaluation	-	59,937	59,937
Revaluation transferred to retained earnings - gross		(24)	(24)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	181,266	-	181,266
— Exchange differences on translation of shares of investments accounted for under the equity method	(135,560)	-	(135,560)
At December 31	(\$ 182,614)	\$ 94,717	(\$ 87,897)

	2021		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 212,814)	\$ 4,864	(\$ 207,950)
Revaluation	-	30,199	30,199
Revaluation transferred to retained earnings - gross		(259)	(259)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	(52,126)	-	(52,126)
— Exchange differences on translation of shares of investments accounted for under the equity method	36,620	-	36,620
At December 31	(\$ 228,320)	\$ 34,804	(\$ 193,516)

(16) Operating revenue

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

<u>2022</u>	Goods	Services	Total
US	\$ 6,070,923	\$ -	\$ 6,070,923
Asia	440,618	10,939	451,557
Europe	1,094	-	1,094
Other	234,809	-	234,809
	<u>\$ 6,747,444</u>	<u>\$ 10,939</u>	<u>\$ 6,758,383</u>
<u>2021</u>	Goods	Services	Total
US	\$ 5,969,135	\$ -	\$ 5,969,135
Asia	427,619	11,132	438,751
Europe	1,275	-	1,275
Other	254,852	-	254,852
	<u>\$ 6,652,881</u>	<u>\$ 11,132</u>	<u>\$ 6,664,013</u>

(17) Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 25,900	\$ 13,285
Rent income	698	716
Revenue from default penalty (Note)	-	100,000
Other income	2,392	4,297
	<u>\$ 28,990</u>	<u>\$ 118,298</u>

Note: On August 3, 2021, the Company's Board of Directors resolved to purchase the land. However, the real estate purchase and sale agreement was subsequently terminated with the consent of mutual parties, and the seller returned the Company's deposit and paid a default fine for terminating the contract totaling \$100 million.

(18) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net currency exchange gain (loss)	\$ 147,619	(\$ 23,167)
Gain on disposal of investments	672	65,265
Net loss on financial assets at fair value through profit or loss	(5,212)	(595)
	<u>\$ 143,079</u>	<u>\$ 41,503</u>

(19) Expenses by nature

	For the years ended December 31,	
	2022	2021
Employee benefit expense	\$ 921,406	\$ 929,996
Depreciation charges on property, plant and equipment	62,159	57,632
Amortisation	2,309	4,758
	<u>\$ 985,874</u>	<u>\$ 992,386</u>

(20) Employee benefit expense

	For the years ended December 31,	
	2022	2021
Wages and salaries	\$ 766,711	\$ 774,335
Labor and health insurance fees	72,795	77,335
Pension costs	28,511	29,383
Directors' remuneration	19,890	14,544
Other personnel expenses	33,499	34,399
	<u>\$ 921,406</u>	<u>\$ 929,996</u>

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

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

- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$198,540 and \$167,911, respectively; while directors' remuneration was accrued at \$19,500 and \$14,100, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the Board of Directors estimated the employees' compensation and directors' remuneration based on the Company's Articles of Incorporation and operating performance level. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$198,540 and \$19,500, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 166,524	\$ 155,929
Tax on unappropriated earnings	9,046	14,981
Prior year income tax overestimation	(6,076)	(2,863)
Total current tax	<u>169,494</u>	<u>168,047</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>24,928</u>	(<u>34,317</u>)
Income tax expense	<u>\$ 194,422</u>	<u>\$ 133,730</u>

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

	For the years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 7,760</u>	<u>\$ 4,220</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 220,836	\$ 160,242
Effect of amount not allowed to be recognised under the regulations	(29,384)	(38,630)
Additional tax on undistributed earnings	9,046	14,981
Prior year income tax overestimation	(6,076)	(2,863)
Income tax expense	<u>\$ 194,422</u>	<u>\$ 133,730</u>

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

		2022			
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Net defined benefit liability	\$	15,392	(\$ 1,745)	(\$ 7,760)	\$ 5,887
Loss on obsolete and slow-moving and market price decline of inventories		17,912	(1,707)	-	16,205
Accrued unused compensated absences		5,060	-	-	5,060
Accrued sales returns and discounts		11,950	1,092	-	13,042
Unrealised exchange loss		486	3,924	-	4,410
Unrealised valuation loss		-	1,420	-	1,420
		<u>50,800</u>	<u>2,984</u>	<u>(7,760)</u>	<u>46,024</u>
Deferred tax liabilities:					
Revaluation increments	(	41,619)	-	-	(41,619)
Investment income	(	92,938)	(28,116)	-	(121,054)
Unrealised exchange gain	(	204)	204	-	-
	(	<u>134,761</u>	<u>(27,912)</u>	<u>-</u>	<u>(162,673)</u>
	(\$	<u>83,961</u>	(\$ <u>24,928</u>)	(\$ <u>7,760</u>)	(\$ <u>116,649</u>)
		2021			
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Net defined benefit liability	\$	21,396	(\$ 1,784)	(\$ 4,220)	\$ 15,392
Loss on obsolete and slow-moving and market price decline of inventories		11,113	6,799	-	17,912
Accrued unused compensated absences		5,060	-	-	5,060
Accrued sales returns and discounts		17,784	(5,834)	-	11,950
Unrealised exchange loss		1,576	(1,090)	-	486
		<u>56,929</u>	<u>(1,909)</u>	<u>(4,220)</u>	<u>50,800</u>
Deferred tax liabilities:					
Revaluation increments	(	41,619)	-	-	(41,619)
Investment income	(	129,152)	36,214	-	(92,938)
Unrealised exchange gain	(	216)	12	-	(204)
	(	<u>170,987</u>	<u>36,226</u>	<u>-</u>	<u>(134,761)</u>
	(\$	<u>114,058</u>	\$ <u>34,317</u>	(\$ <u>4,220</u>)	(\$ <u>83,961</u>)

D. As of the report date, the Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. There were no disputes between the Company and the Tax Authority.

(22) Earnings per share

For the year ended December 31, 2022			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 909,759	188,452	\$ 4.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 909,759	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	5,183	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 909,759	193,635	\$ 4.70
For the year ended December 31, 2021			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 667,479	188,452	\$ 3.54
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 667,479	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	4,450	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 667,479	192,902	\$ 3.46

(23) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Increase in property, plant and equipment	\$ 545,497	\$ 29,236
Add: Opening balance of payable on equipment (Note)	1,948	598
Less: Ending balance of payable on equipment (Note)	(97,051)	(1,948)
Cash paid for purchases of property, plant and equipment	<u>\$ 450,394</u>	<u>\$ 27,886</u>

Note: Recorded as 'other payables'.

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 22,539</u>	<u>\$ 44,606</u>
Increase in right-of-use asset	\$ 44,852	\$ -
Loss : Increase in lease liability	(44,852)	
	<u>\$ -</u>	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
FORTRESS INDUSTRIAL CO., LTD. (FORTRESS INDUSTRIAL)	Subsidiary
MASTER UNITED INVESTMENT GROUP LTD.(MASTER)	"
FORMFLEX ENTERPRISE CO.,LTD.(FORMFLEX)	"
FU HSING AMERICAS INC.(F.H.A.)	"
ARCTEK INDUSTRIAL CO., LTD. (ARCTEK INDUSTRIAL)	"
TECHFORM INDUSTRIAL CO., LTD.(TECHFORM)	"
SUNION TECHNOLOGY CO., LTD. (SUNION)	"
FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD. (FORTRESS DOOR CONTROL)	"
RUI SHENG INDUSTRIAL CO., LTD. (RUI SHENG INDUSTRIAL)	"
ZIYONG HARDWARE PRODUCTS (TAICANG) CO., LTD. (ZIYONG TAICANG)	"

Names of related parties	Relationship with the Company
ARCTEK SECURITY TECHNOLOGIES (SHANGHAI) CO., LTD. (ARCTEK)	Subsidiary
FORMFLEX METAL INDUSTRIAL (CHANGSHU) CO., LTD. (FORMFLEX CHANGSHU)	"
FORTUNE INDUSTRIAL LTD.(FORTUNE)	"
CHANGSHU FORTUNE PACKING MATERIAL CO., LTD. (CHANGSHU FORTUNE PACKING)	"
HUNDURE TECHNOLOGY CO., LTD. (HUNDURE TECHNOLOGY).	The Company's subsidiary. The Company lost control over the company in August 2021 due to disposal of subsidiaries' partial shares.
TAIWAN FU HSING CULTURE & EDUCATION FOUNDATION	Other related party

(2) Significant related party transactions and balances

A. Operating revenue

	For the years ended December 31,	
	2022	2021
Sales of goods:		
Subsidiaries		
F.H.A	\$ 40,069	\$ 132,890
Others	3,956	3,778
Sales of services:		
Subsidiaries		
FORMFLEX CHANGSHU	3,212	4,219
Others	7,727	6,913
	<u>\$ 54,964</u>	<u>\$ 147,800</u>

Prices of goods sold to related parties are determined by mutual agreements and the credit term is 30~150 days after monthly billings. Services rendered to related parties are based on a cost-plus basis after negotiation.

B. Purchases

	For the years ended December 31,	
	2022	2021
Purchases of goods:		
Subsidiaries		
FORMFLEX CHANGSHU	\$ 1,601,162	\$ 1,719,224
TECHFORM	525,660	544,808
SUNION	173,558	126,335
ZIYONG TAICANG	73,310	38,938
Others	3,735	9,074
Other related party	6,318	8,801
Purchases of services (recorded as 'selling expenses'):		
Subsidiaries		
F.H.A	58,356	44,300
	<u>\$ 2,442,099</u>	<u>\$ 2,491,480</u>

Prices of goods purchased from related parties are based on mutual agreements and the payment term is 30~90 days after monthly billings. Prices and payment terms of services rendered by related parties are determined by mutual agreements.

C. Receivables from related parties

	December 31, 2022	December 31, 2021
Accounts receivable:		
Subsidiaries		
F.H.A	\$ 5,985	\$ 47,924
Others	660	525
	<u>6,645</u>	<u>48,449</u>
Other receivables:		
Subsidiaries		
FORMFLEX CHANGSHU	72	262
Others	699	619
	<u>771</u>	<u>881</u>
	<u>\$ 7,416</u>	<u>\$ 49,330</u>

The abovementioned other receivables mainly include:

- (a) Outstanding receivables arising from the sale of parts to related parties, which were not accounted for sales revenue when it occurred.
- (b) Receivables arising from services rendered by the Company.

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiaries		
FORMFLEX CHANGSHU	\$ 288,044	\$ 295,539
TECHFORM	40,753	54,399
SUNION	17,678	26,298
Others	5,339	4,539
	<u>351,814</u>	<u>380,775</u>
Other payables:		
Subsidiaries		
FORMFLEX CHANGSHU	15,821	43,195
F.H.A	13,616	11,356
Others	496	1,006
	<u>29,933</u>	<u>55,557</u>
	<u>\$ 381,747</u>	<u>\$ 436,332</u>

The abovementioned other payables mainly include:

- (a) Payables arising from services rendered by the related parties.
- (b) Outstanding payables arising from importing parts from related parties, which were not accounted for as purchases when it occurred.

E. For the years ended December 31, 2022 and 2021, the Company donated cash amounting to \$8,680 and \$9,179, respectively, to Taiwan Fu Hsing Culture & Education Foundation, for cultural education promotion and enterprise social responsibility.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 75,752	\$ 67,806
Post-employment benefits	664	664
	<u>\$ 76,416</u>	<u>\$ 68,470</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Restricted bank deposits (recorded as 'Current financial assets at amortised cost, net')	<u>\$ 5,835</u>	<u>\$ 2,491</u>	Guarantee for derivative financial products

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Facilities of the letters of credit issued but unused:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Importing raw materials and equipment	<u>\$ 30,000</u>	<u>\$ 22,406</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 113,772</u>	<u>\$ 24,407</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 8, 2023, the Board of Directors of the Company resolved the following items:

- (1) Details of the appropriation of earnings for 2022 are provided in Note 6(14).
- (2) In order to cooperate with the Company's long-term operating plan, the Company planned to establish subsidiaries and manufacturing bases in Southeast Asia and invested in installments with the estimated investment amount within USD 45 million.

12. OTHERS

(1) Capital management

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

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

The Company uses debt ratio to control capital. The Company's policy is to maintain a stable debt ratio as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Debt ratio	<u>27%</u>	<u>31%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 136,718</u>	<u>\$ 42,376</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 498,594</u>	<u>\$ 382,952</u>
Financial assets at amortised cost/		
Loans and receivables		
Cash and cash equivalents	\$ 925,229	\$ 1,047,201
Financial assets at amortised cost - current	41,582	64,094
Notes receivable	23,194	26,966
Accounts receivable (including related parties)	1,052,384	1,138,261
Other receivables - related parties	771	881
Other financial assets (current and non-current)	<u>12,370</u>	<u>11,122</u>
	<u>\$ 2,055,530</u>	<u>\$ 2,288,525</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 658,744	\$ 819,862
Other accounts payable (including related parties)	<u>534,694</u>	<u>410,244</u>
	<u>\$ 1,193,438</u>	<u>\$ 1,230,106</u>
Lease liabilities	<u>\$ 44,852</u>	<u>\$ -</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB, etc. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to prevent decrease in value of assets denominated in foreign currencies and estimated future cash flows fluctuation by foreign currency exchange, the Company hedges currency risk through derivative financial instruments (including forward exchange agreements). These derivative financial instruments assist in decreasing foreign currency fluctuation but cannot eliminate the impact.
- ii. The Company's strategic investment is to hold certain investments in foreign operations, thus, the Company does not hedge the investment.
- iii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022				
Foreign currency				
	amount	Exchange	Book value	
	(In Thousands)	rate		(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 52,972	30.71	\$ 1,626,770	
RMB:NTD	21,532	4.42	95,171	
AUD:NTD	747	20.83	15,560	
<u>Non-monetary items</u>				
<u>Investments accounted for under the equity method</u>				
USD:NTD	59,706	30.71	1,848,296	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	14,387	30.71	441,825	
RMB:NTD	6,621	4.42	29,265	

December 31, 2021			
Foreign currency			
	amount	Exchange	Book value
	(In Thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,696	27.68	\$ 1,430,945
RMB:NTD	26,671	4.34	115,752
AUD:NTD	1,585	20.08	31,827
<u>Non-monetary items</u>			
<u>Investments accounted for under the equity method</u>			
USD:NTD	59,917	27.68	1,663,288
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	14,298	27.68	395,769
RMB:NTD	16,845	4.34	73,107
iv. Total exchange gain (loss), including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$147,619 and (\$23,167), respectively.			
v. Analysis of foreign currency market risk arising from significant foreign exchange variation:			

For the year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,268	\$ -
RMB:NTD	1%	952	-
AUD:NTD	1%	156	-
<u>Non-monetary items</u>			
<u>Investments accounted for under the equity method</u>			
USD:NTD	1%	-	18,483
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	4,418	-
RMB:NTD	1%	293	-

For the year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,309	\$ -
RMB:NTD	1%	1,158	-
AUD:NTD	1%	318	-
<u>Non-monetary items</u>			
<u>Investments accounted for under the equity method</u>			
USD:NTD	1%	-	16,633
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	3,958	-
RMB:NTD	1%	731	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, it is expected that significant price risk would not happen as the Company had assessed the bearable price risk at the time of investing and managed with proper authorisation.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$6,836 and \$2,119, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$24,930 and \$19,148, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

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

- ii. The Company's treasury measures and control credit risk of deposits with banks, fixed investment income and other financial instruments. The Company's clients and performing parties are banks with good credit quality or financial institutions and companies with investment, thus, the possibility of default is remote and the credit risk is insignificant.
- iii. The Company manages their credit risk taking into consideration the entire group's concern. To maintain quality of accounts receivable, the Company has established procedures relating to credit risk management. Individual customers' risk assessment considers several factors that may influence the customers' ability to pay, such as the customer's financial position, historical transactions and current economic situation. Individual risk limits are set based on internal or external ratings in accordance with limits set by the sales department. The utilisation of credit limits is regularly monitored. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance to reduce credit risk of specific customers.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. As of December 31, 2022 and 2021, the Company assesses the default possibility of accounts receivable for its customers: The provision for not past due and up to 30 days past due was 0.01% and 0.1%, respectively; The provision for 31 to 360 days past due was 25% ~ 50%; And the provision for past due over a year was 100%. In addition, so far, the Company's balance of receivables past due over 31 days constitutes was 0.1% and 0.2%, of total receivables.
- vi. As of December 31, 2022 and 2021, notes and accounts receivable from the Company's top 2 customers constituted 78% and 72% of the Company's total notes and accounts receivables, respectively. The credit concentration risk of the remaining accounts receivable is relatively insignificant.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
At January 1	\$ 1,659	\$ 1,885
Reversal of impairment	(1,021)	(226)
At December 31	\$ 638	\$ 1,659

For provisioned loss in 2022 and 2021, the impairment gains arising from customer contracts are \$1,021 and \$226, respectively.

(c) Liquidity risk

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

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

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

	December 31, 2022			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 658,744	\$ -	\$ -	\$ -
Other payables (including related parties)	534,694	-	-	-
Lease liability	3,413	3,413	10,238	35,650
	<u>\$1,196,851</u>	<u>\$ 3,413</u>	<u>\$ 10,238</u>	<u>\$ 35,650</u>

Derivative financial liabilities:None

	December 31, 2021			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 819,862	\$ -	\$ -	\$ -
Other payables (including related parties)	410,244	-	-	-
	<u>\$1,230,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Derivative financial liabilities:None

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable (including current portion), other receivables - related parties, other financial assets, notes payable, accounts payable (including current portion) and other payables (including current portion) are approximate to their fair values.

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

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity security	\$ 136,718	\$ -	\$ -	\$ 136,718
Financial assets at fair value through other comprehensive income				
Equity security	<u>470,272</u>	<u>-</u>	<u>28,322</u>	<u>498,594</u>
	<u>\$ 606,990</u>	<u>\$ -</u>	<u>\$ 28,322</u>	<u>\$ 635,312</u>
Liabilities: None				

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity security	\$ 42,376	\$ -	\$ -	\$ 42,376
Financial assets at fair value through other comprehensive income				
Equity security	<u>351,130</u>	<u>-</u>	<u>31,822</u>	<u>382,952</u>
	<u>\$ 393,506</u>	<u>\$ -</u>	<u>\$ 31,822</u>	<u>\$ 425,328</u>
Liabilities: None				

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- ii. When assessing non-standard and low-complexity financial instruments, for example, forward exchange contract, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 31,822	\$ 13,500
Disposal of the remaining investment of the subsidiaries' partial shares (Note)	-	18,322
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(3,500)	-
At December 31	<u>\$ 28,322</u>	<u>\$ 31,822</u>

Note: The Company sold 54% of shares in the subsidiary – Hundure Technology Co., Ltd. on August 4, 2021 and therefore lost control over the subsidiary. The Company recognised its investment retained in the former subsidiary at fair value.

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

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

(4) Other matters

Due to Covid-19 outbreak and the government's epidemic prevention measures, the Company has implemented relevant contingency measures and keeps in contact closely with suppliers and customers to adjust the import strategy and arrange the schedule of delivery. The Covid-19 did not have a significant impact to the Company's operations and financial condition. The Company continued monitoring the development of the pandemic situation, and adjusted the strategy immediately in response.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

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

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

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

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

I. Trading in derivative instruments undertaken during the reporting periods: None.

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%:
Please refer to table 11.

14. SEGMENT INFORMATION

Not applicable.

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TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash :		
Cash on hand and Petty cash		\$ 287
Bank deposits	Demand deposits - NTD	9,539
	Demand deposits - USD (US \$663 thousand, exchange rate 30.71)	20,364
	Demand deposits - RMB (RMB ¥14 thousand, exchange rate 4.408)	60
		<u>29,963</u>
Cash equivalents:		
Time deposits	Time deposits - NTD, continually maturing before January 2023, interest rate 0.85% ~ 0.975%	296,500
	Time deposits - USD (USD \$17,800 thousand ,exchange rate 30.71), continually maturing before January 2023, interest rate 2.5% ~ 4.35%	546,638
	Time deposits - RMB (RMB ¥11,761 thousand ,exchange rate 4.408), continually maturing before March 2023, interest rate 1.90% ~ 2.45%	51,841
		<u>894,979</u>
		<u>\$ 925,229</u>

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Name of Financial Instrument	Description	Shares	Face Value	Total Amount	Interest Rate	Cost	Fair Value		Amount of Change in	Note
							Unit Price	Total Amount	The Fair Value is Attributable to Change in The Credit Risk	
Beneficiary certificates:										
Taishin 1699 Money Market Fund	Money funds	6,974,362	Not applicable	\$ 96,000	-	\$ 96,000	13.76	\$ 96,003	Not applicable	
Yuanta/P-shares Taiwan Dividend Plus ETF	Stock funds	500,000	Not applicable	14,275		14,275	25.40	\$ 12,700	Not applicable	
Listed (TSE and OTC) stocks:										
Pegatron Corporation	Listed stocks	66,000	Not applicable	4,877	-	4,877	63.50	4,191	Not applicable	
Huaku Development Co., Ltd.	Listed stocks	50,000	Not applicable	4,690	-	4,690	89.00	4,450	Not applicable	
Formosa Advanced Technologies Co., Ltd.	Listed stocks	110,000	Not applicable	4,602	-	4,602	38.30	4,213	Not applicable	
Zeng Hsing Industrial Co., Ltd.	Listed stocks	32,000	Not applicable	3,505	-	3,505	73.30	2,346	Not applicable	
Dynapack International Technolgy Corporation	Listed stocks	20,000	Not applicable	3,450	-	3,450	119.00	2,380	Not applicable	
Chicony Electronics Co., Ltd.	OTC stocks	50,000	Not applicable	2,955	-	2,955	57.40	2,870	Not applicable	
Hiyes International Co., Ltd.	OTC stocks	25,000	Not applicable	2,904	-	2,904	73.00	1,825	Not applicable	
Syncmold Enterprise Corp.	Listed stocks	35,000	Not applicable	2,784	-	2,784	86.30	3,021	Not applicable	
	Listed stocks	24,200	Not applicable	1,990	-	1,990	63.60	1,539	Not applicable	
	Listed stocks	20,000	Not applicable	1,785	-	<u>1,785</u>	59.00	1,180	Not applicable	
						143,817				
Valuation adjustment of financial assets at fair value through profit or loss						(<u>7,099</u>)				
						<u>\$ 136,718</u>				

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST -CURRENT
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 3

							Accumulated		Note
Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Impairment		
Time deposits - foreign currency	RMB ¥6,726 thousand, exchange rate 4.408 Maturity date: January 16, 2023	2	\$ 29,647	\$ 29,647	2.95%	\$ 29,647	\$ -		
Time deposits - foreign currency	US \$190 thousand, exchange rate 30.71 Maturity date: May 2023 ~ December 2023	4	5,835	5,835	1% ~ 4%	5,835	-		Secured pledge
Time deposits - NTD	Maturity date: June 2023 ~ September 2023	2	6,100	6,100	1.405%	6,100	-		
						<u>\$ 41,582</u>	<u>\$ -</u>		

Please refer to Note 8 for details.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 4

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer C	Sales revenue	\$ 534,818	
Customer B	Sales revenue	286,142	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>225,417</u>	
		1,046,377	
Less: Allowance for bad debts		(<u>638</u>)	
		<u>\$ 1,045,739</u>	
Related parties:			
FU HSING AMERICAS INC.	Sales revenue	\$ 5,985	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>660</u>	
		<u>\$ 6,645</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 5

		<u>Amount</u>		
			Net Realisable	
<u>Item</u>	<u>Description</u>	<u>Cost</u>	<u>Value</u>	<u>Note</u>
Raw materials		\$ 26,535	\$ 24,518	The lower of cost and net realisable value
Work in progress		234,139	234,200	
Finished goods		<u>281,695</u>	<u>309,340</u>	
		542,369	<u>\$ 568,058</u>	
Less: Allowance for inventory valuation and				
	obsolete and slow-moving inventories	(<u>81,025</u>)		
		<u>\$ 461,344</u>		

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OTHER CURRENT ASSETS, OTHERS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Business tax paid		\$ 25,311	
Receivables from business tax refund		18,746	
Office supplies		17,074	
Others		<u>11,648</u>	
		<u>\$ 72,779</u>	

TAIWAN FU Hsing INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 7

Name	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated		
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	impairment	Collateral	Note
Listed stocks:											
Fine Blanking & Tool Co., Ltd.	7,552,867	\$ 253,776	-	\$ 36,254	-	\$ -	7,552,867	\$ 290,030	Not applicable	None	
Advanced International Multitech Co.,	420,000	31,500	696,000	74,399	(1,000)	(85)	1,115,000	105,814	"	None	
Min Aik Precision Industrial Co., Ltd.	1,077,000	31,556	-	754	-	-	1,077,000	32,310	"	None	
Excelsior Medical Co., Ltd.	350,000	20,160	17,500	4,683	-	-	367,500	24,843	"	None	
King Chou Marine Technology Co., Ltd.	350,000	12,145	-	1,330	-	-	350,000	13,475	"	None	
Launch Technology Co., Ltd.	50,000	1,993	-	1,807	-	-	50,000	3,800	"	None	
Unlisted stocks:											
Hundure Technology Co., Ltd.	990,390	18,322	-	-	-	-	990,390	18,322	"	None	
Sunsino Development Associate Inc.	833,406	7,000	-	-	-	(2,000)	833,406	5,000	"	None	
NCKU Venture Capital Co., Ltd.	1,300,000	6,500	-	-	-	(1,500)	1,300,000	5,000	"	None	
Nailermate Enterprise Corp.	39	-	-	-	-	-	39	-	"	None	Preferred shares
Saint Pin Technology Co., Ltd.	251,835	-	-	-	-	-	251,835	-	"	None	
Shing Bee Enterprise Co., Ltd.	511,928	-	-	-	-	-	511,928	-	"	None	
Tsu Yung Enterprise Co., Ltd.	400,000	-	-	-	-	-	400,000	-	"	None	
Ofis International Co., Ltd.	720,000	-	-	-	-	-	720,000	-	"	None	
Hwa Nan Co., Ltd.	85,891	-	-	-	-	-	85,891	-	"	None	
Map Technology Holdings Limited	7,583,941	-	-	-	-	-	7,853,941	-	"	None	
Melten Connected Healthcare Inc.	1,111,111	-	-	-	-	-	1,111,111	-	"	None	
		\$ 382,952		\$ 119,227		(\$ 3,585)		\$ 498,594			

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 8

	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral	Notes
Subsidiaries:													
FORMFLEX ENTERPRISE CO., LTD.	23,704,000	\$ 861,712	-	\$ 148,230	-	(\$ 26,727)	23,704,000	100%	\$ 983,215	42	\$ 987,457	None	
TECHFORM INDUSTRIAL CO., LTD.	80,000,000	780,061	-	9,832	-	-	80,000,000	100%	789,893	10	790,146	None	
FORTRESS INDUSTRIAL CO., LTD.	39,930,000	678,144	-	96,280	-	(23,958)	39,930,000	100%	750,466	19	751,809	None	
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	670,581	-	27,999	-	-	1,560,000	100%	698,580	434	676,307	None	
FU HSING AMERICAS INC.	300,000	130,995	-	35,506	-	-	300,000	100%	166,501	566	169,817	None	
ARCTEK INDUSTRIAL CO., LTD.	5,838	129,688	-	11,502	-	(7,006)	5,838	70%	134,184	15,247	89,010	None	
SUNION TECHNOLOGY CO., LTD.	3,132,000	42,749	968,000	15,623	-	-	4,100,000	100%	58,372	14	58,372	None	
		<u>3,293,930</u>		<u>344,972</u>		<u>(57,691)</u>			<u>3,581,211</u>		<u>\$ 3,522,918</u>		
Accumulated impairment		<u>(45,233)</u>		<u>-</u>		<u>-</u>			<u>(45,233)</u>				
		<u>\$3,248,697</u>		<u>\$ 344,972</u>		<u>(\$ 57,691)</u>			<u>\$3,535,978</u>				

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Tsu Yung Enterprise Co., Ltd.	Purchases and outsource	\$ 40,875	
Sinkang Industries Co., Ltd.	Purchases	20,201	
Litai Color Printing Enterprises Co., Ltd.	Purchases	18,045	
Others (balance of each vendor has not exceeded 5% of total account balance)	Purchases and outsource	227,809	
		<u>\$ 306,930</u>	
Related parties:			
Formflex Metal Industrial (Changshu) Co., Ltd.	Purchases	\$ 288,044	
Techform Industrial Co., Ltd.	Purchases and outsource	40,753	
Sunion Technology Co., Ltd.	Purchases	17,678	
Others (balance of each vendor has not exceeded 5% of total account balance)	Purchases	5,339	
		<u>\$ 351,814</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 10

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Metalwork doors	42,458 thousand pieces	\$ 6,861,368	
Less: Sales returns and discounts		(113,924)	
Net sales revenue		6,747,444	
Other service revenue		10,939	
		<u>\$ 6,758,383</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Amount		Note
	Subtotal	Total	
Beginning raw materials		\$ 44,769	
Add: Raw materials purchased	\$ 2,913,106		
Less: Raw materials reclassified as expenses, etc.	(500)	2,912,606	
Ending raw materials		(26,535)	
Raw materials used		2,930,840	
Direct labour		438,185	
Manufacturing expense		<u>723,974</u>	
Manufacturing cost		4,092,999	
Beginning work in progress		332,799	
Less: Work in progress reclassified as expenses		(4,013)	
Ending work in progress		(234,139)	
Cost of finished goods		4,187,646	
Beginning finished goods		396,715	
Less: Finished goods reclassified as expenses, etc.		(7,481)	
Ending finished goods		(281,695)	
Cost of goods sold from finished goods		4,295,185	
Cost of goods sold from purchase		1,445,256	
Cost of goods sold from molds		419	
Less: Allowance for inventory valuation and obsolete and slow-moving inventories		(8,535)	
Less: Revenue from sale of scraps		(109,643)	
		<u>\$ 5,622,682</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 314,133	
Indirect labor		123,045	
Repairs and maintenance expense		62,387	
Depreciation		51,621	
Utilities expense		36,879	
Other expenses	Balance of individual accounts has not	135,909	
	exceeded 5% of total account balance		
		<u>\$ 723,974</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 13

Item	Description	Amount	Note
Commissions expense		\$ 59,909	
Wages and salaries		47,711	
Export expense		27,323	
Advertisment expense		14,769	
Freight		11,682	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	25,566	
		<u>\$ 186,960</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 127,534	
Directors' remuneration		19,890	
Labour and health insurance fees		11,590	
Other expenses	Balance of individual accounts has not	74,858	
	exceeded 5% of total account balance		
		<u>\$ 233,872</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 15

Item	Description	Amount	Note
Wages and salaries		\$ 71,772	
Research and development expenses		11,344	
Labour and health insurance fees		6,599	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	11,891	
		<u>\$ 101,606</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCE COOST
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 16

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		\$ <u>211</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 17

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ 612,156	\$ 309,250	\$ 921,406	\$ 635,550	\$ 294,446	\$ 929,996
Wages and salaries	519,694	247,017	766,711	537,012	237,323	774,335
Labour and health insurance fees	51,047	21,748	72,795	54,997	22,338	77,335
Pension costs	20,914	7,597	28,511	21,736	7,647	29,383
Directors' remuneration	-	19,890	19,890	-	14,544	14,544
Other personnel expenses	20,501	12,998	33,499	21,805	12,594	34,399
Depreciation expense	51,621	10,538	62,159	47,074	10,558	57,632
Amortisation expense	1,257	1,052	2,309	2,196	2,562	4,758

Note:

A. As at December 31, 2022 and 2021, the Company had 1,262 and 1,346 employees, respectively, including both 7 non-employee directors.

B. (a) Average employee benefit expense for the years ended December 31, 2022 and 2021 was \$718 and \$684, respectively.

(b) Average employee salaries for the years ended December 31, 2022 and 2021 were \$611 and \$578, respectively.

(c) Changes of adjustments of average employees' salary was 6%.

(d) The Company has no supervisors' remuneration as it set up an audit committee.

(e) The Company sets up the Remuneration Committee with all independent directors serving as Remuneration Committee members. The Committee evaluates the factors such as the industry environment, profitability of the Company, performance and contribution of employees and researches on the market pay levels to establish the 'Taiwan Fu Hsing Industrial Co., Ltd. Manager's Remuneration Policy', which is used as a basis for determining salaries to managers after the policy is approved by the Board of Directors. The members committee will regularly review managers' performance to assess their contribution to the Company and reasonableness of remuneration. Also, the Committee will continue to review and revise the Company's remuneration policy to ensure a competitive compensation structure that is aligned with the interests of shareholders.

All employees' position classifications, salary structures, salary levels and salary calculation and so on are stipulated in the Company's 'Position Structure and Salary Management Regulations'. The regulations are published in the Company's internal website for reference of employees, and are regularly reviewed by the human resource department or revised to comply with the laws and regulations. According to the Article 26-1 of Incorporation of the Company, when distributing earnings, the ratio of distributable profit of the current year shall not be lower than 5% for employees' compensation and shall not be higher than 5% for directors' remuneration.

The Company conducts performance assessment on all employees every year in accordance with 'Performance Assessment and Management Regulations' to determine their performance levels through self-evaluations and second-level supervisor evaluations according to the individual's KPI, competency, attendance, rewards and punishments and so on. The year-end bonuses to employees are distributed based on the employees' performance and the Company's profitability in accordance with the 'Year-End Bonus Approval and Distribution Standards'.

The bonuses to managers and specific persons are distributed by reference to individual's and special contribution to the Company in accordance with the 'Taiwan Fu Hsing Industrial Co., Ltd. Manager's Remuneration Policy'.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Loans to others

Year ended December 31, 2022

Expressed in thousands of NTD

Table 1

Number	Creditor		Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
						balance during year ended December 31, 2022	December 31, 2022							Item	Value			
1	Formflex Industrial (Changshu) Co., Ltd.	Metal	Arctek Security Technologies (Shanghai) Co., Ltd.	Other receivables-related parties	Y	139,184	70,496	70,496	2.00	Note 1(2)	-	Operating turnover	-	None	-	187,717	281,576	Note 2

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

- (1) Business relationship.
- (2) Short-term financing.

Note 2:In accordance with the Investee’s policy for granting loans, limit on loans granted to a single party is described as follows:

- (1) For business relationship, the total amount shall not exceed 20% of the net assets value; the limit amount for single party shall not exceed the amount of transaction.
- (2) For short-term financing, the total amount shall not exceed 10% of the net assets value; the limit amount for single party shall not exceed 50% of the net assets value.
- (3) Between the subsidiaries controlled by the same parent company for the business needs short-term financing, the total amount shall not exceed 30% of the net assets value; the limit amount for single party shall not exceed 20% of the net assets value.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss - current	6,974,362	\$ 96,003	Note 2	\$ 96,003	
	Beneficiary certificates - Yunta/P-shares Taiwan Dividend Plus ETF	None	Financial assets at fair value through profit or loss - current	500,000	12,700	Note 2	12,700	
	Stocks - Huaku Development Co., Ltd.	None	Financial assets at fair value through profit or loss - current	50,000	4,450	Note 2	4,450	
	Stocks - Formosa Advanced Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - current	110,000	4,213	Note 2	4,213	
	Stocks - Pegatron Corporation	None	Financial assets at fair value through profit or loss - current	66,000	4,191	Note 2	4,191	
	Stocks - Chicony Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss - current	35,000	3,021	Note 2	3,021	
	Stocks - Chipbond Technology Corporation	None	Financial assets at fair value through profit or loss - current	50,000	2,870	Note 2	2,870	
	Stocks - Zeng Hsing Industrial Co., Ltd.	None	Financial assets at fair value through profit or loss - current	20,000	2,380	Note 2	2,380	
	Stocks - ITE Tech. Inc.	None	Financial assets at fair value through profit or loss - current	32,000	2,346	Note 2	2,346	
	Stocks - Dynapack International Technology Corporation	None	Financial assets at fair value through profit or loss - current	25,000	1,825	Note 2	1,825	
	Stocks - Hiyee International Co., Ltd.	None	Financial assets at fair value through profit or loss - current	24,200	1,539	Note 2	1,539	
	Stocks - Syncmold Enterprise Corp.	None	Financial assets at fair value through profit or loss - current	20,000	1,180	Note 2	1,180	
	Stocks - Fine Blanking & Tool Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,552,867	290,030	9.98	290,030	
	Stocks - Advanced International Multitech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,115,000	105,814	Note 2	105,814	
	Stocks - Min Aik Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,077,000	32,310	Note 2	32,310	
	Stocks - Excelsior Medical Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	367,500	24,843	Note 2	24,843	
	Stocks - Hundure Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	990,390	18,322	9.51	18,322	
	Stocks - King Chou Marine Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	350,000	13,475	Note 2	13,475	
	Stocks - Sunsino Development Associate Inc.	None	Financial assets at fair value through other comprehensive income - non-current	833,406	5,000	Note 2	5,000	
	Stocks - NCKU Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,300,000	5,000	8.33	5,000	
	Stocks - Launch Technologies Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	50,000	3,800	Note 2	3,800	
	Stocks - Saint Pin Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	251,835	-	Note 2	-	
	Stocks - Nailermate Enterprise Corp.	None	Financial assets at fair value through other comprehensive income - non-current	39	-	Note 2	-	
	Stocks - Sing Bee Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	511,928	-	Note 2	-	
	Stocks - Tsu Yung Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400,000	-	Note 2	-	
	Stocks - MAP TECHNOLOGY HOLDINGS LIMITED	None	Financial assets at fair value through other comprehensive income - non-current	7,853,941	-	5.47	-	
	Stocks - Hwa Nan Co., Ltd.	Note 1	Financial assets at fair value through other comprehensive income - non-current	85,891	-	15.85	-	
	Stocks - Ofis International Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	720,000	-	Note 2	-	
	Stocks - Melten Connected Healthcare Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,111,111	-	Note 2	-	

Note 1: Same board chairman.

Note 2: It is not disclosed as the ownership does not exceed 5%.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2022

Table 3 Expressed in thousands of NTD

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2022	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	85,851,766	\$ 1,178,000	78,877,404	\$ 1,082,371	\$ 1,082,000	\$ 371	6,974,362	\$ 96,000
	Beneficiary certificates - Union Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	54,013,466	722,000	54,013,466	722,195	722,000	195	-	-
	Beneficiary certificates - Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	20,717,929	338,000	20,717,929	338,054	338,000	54	-	-
Fortress Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	54,555,995	748,000	54,555,995	748,228	748,000	228	-	-

Company Name

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

Year ended December 31, 2022

Expressed in thousands of NTD

Table 4

Real estate acquired by	Real estate acquired	Date of the event	Currency	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:					Reason for acquisition of real estate and status of the real estate		
								Original owner who sold the real estate to the counterparty	Relationship between the original owner and the	Date of the original transaction	Amount	Basis or reference used in setting the price	Other commitments		
Taiwan Fu Hsing Industrial Co., Ltd.	Plant	2022.9.27	NTD	\$ 506,216	\$ 414,973	Dyna Rechi Co.,Ltd.	A non-related pary	-	-	-	\$ -	Negotiated and by reference to the appraisal report	Operational needs	Note 3	
		(Note 1)			(Note 2)										

Note 1: On August 3, 2021, the Boards of Directors of the Company resolved to purchase land and plants for operational expansion; on September 27, 2022, the Company entered into a real estate agreement and paid the consideration based on the agreement.

Note 2: The transfer of the plant had been registered on December 16, 2022, and the final payment of \$91,243 was settled on January 4, 2023.

Note 3: As stipulated in the real estate agreement, if the buyer is still unable to obtain the zone entry permit within six months from the date of applying for the zone entry, which regarded as neither of the parties is imputed, the real estate agreement can be terminated unconditionally by either party.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

							Differences in transaction terms compared to thrid party transations		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Indirectly-owned subsidiary	Purchases	\$ 1,601,162	34	Agreement	Note	Note	(\$ 288,044)	(44)	
	Techform Industrial Co., Ltd.	Subsidiary	Purchases	525,661	11	Agreement	Note	Note	(40,753)	(6)	
	Sunion Technology Co., Ltd.	Subsidiary	Purchases	173,558	4	Agreement	Note	Note	(17,678)	(3)	
Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Affiliated company	Purchases	223,230	21	Agreement	Note	Note	(48,549)	(24)	
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(1,601,162)	(100)	Agreement	Note	Note	288,044	99	
Techform Industrial Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(525,661)	(77)	Agreement	Note	Note	40,753	45	
Sunion Technology Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(173,558)	(90)	Agreement	Note	Note	17,678	87	
Arctek Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Affiliated company	(Sales)	(223,230)	(68)	Agreement	Note	Note	48,549	81	

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2022

Table 6

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	\$ 288,044	5.49	\$ -	-	\$ 118,704	\$ -

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2022

Table 7
Transactions amount between the parent company and subsidiaries or between subsidiaries reaching \$10 million is provided below and descriptions are disclosed in Note 2, and the same transaction is disclosed only once. Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	1	Purchases	\$ 1,601,162	Agreement	16.80%
		"	"	Purchases	288,044	Agreement	3.13%
		"	"	Accounts payable - related parties	15,821	Agreement	0.17%
		Techform Industrial Co., Ltd.	1	Other payables - related parties	525,661	Agreement	5.52%
		"	"	Sales	40,753	Agreement	0.44%
		Sunion Technology Co., Ltd.	1	Operating expense	173,558	Agreement	1.82%
		"	"	Accounts receivable - related parties	17,678	Agreement	0.19%
		Ziyong Hardware Products (Taicang) Co., Ltd.	1	Other payables - related parties	73,310	Agreement	0.77%
		FU HSING AMERICAS INC.	1	Purchases	40,069	Agreement	0.42%
		"	"	Accounts payable - related parties	58,356	Agreement	0.61%
1	Fortress Industrial Co., Ltd.	"	"	Purchases	13,616	Agreement	0.15%
		Arctek Industrial Co., Ltd.	3	Purchases	223,230	Agreement	2.34%
		"	"	Accounts payable - related parties	48,549	Agreement	0.53%
		"	"	Purchases	12,462	Agreement	0.13%
		Fortress Door Control Product (Changshu) Co., Ltd.		Service revenue	82,802	Agreement	0.87%
		Rui Sheng Industrial Co., Ltd.	3	Purchases	12,683	Agreement	0.13%
2	Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	3	Sales	52,116	Agreement	0.55%
		"	"	Purchases	44,401	Agreement	0.47%
3	Ziyong Hardware Products (Taicang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	51,005	Agreement	0.54%
4	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	3	Other receivables - related parties (Loans to)	70,496	Agreement	0.77%
		Changshu Fortune Packing Material Co., Ltd.	3	Purchases	22,629	Agreement	0.24%
5	Rui Sheng Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Sales	32,790	Agreement	0.34%
		"	"	Accounts payable - related parties	14,196	Agreement	0.15%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investees

Year ended December 31, 2022

Expressed in thousands of NTD

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Investment income(loss) recognised by the Company		
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	for the year ended December 31, 2022	Footnote
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Enterprise Co., Ltd.	SAMOA	Investment holdings	\$ 741,744	\$ 741,744	23,704,000	100	\$ 861,712	\$ 37,791	\$ 37,566	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Techform Industrial Co., Ltd.	Taiwan	Processing of hardware products	800,000	800,000	80,000,000	100	780,061	35,357	34,883	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Taiwan	Sales and manufacture of door locks, transom closers and floor springs	410,231	410,231	39,930,000	100	678,144	40,015	40,408	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Master United Investment Group Ltd.	British Virgin Islands	Investment holdings	538,240	538,240	1,560,000	100	698,580	14,084	17,000	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Fu Hsing Americas Inc.	U.S.A	Sales of door locks and related accessories	11,263	11,263	300,000	100	130,995	5,121	5,181	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	65,200	65,200	5,838	70	84,455	11,490	7,914	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Sunion Technology Co., Ltd.	Taiwan	Sales and manufacture of electronic lock parts	29,000	29,000	4,100,000	100	58,372	15,622	15,622	
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	14,000	14,000	756,000	70	26,270	6,278	-	Note 2
Formflex Enterprise Co., Ltd.	Fortune Industrial Ltd.	SAMOA	Investment holdings	6,698	6,698	204,000	51	12,451	2,005	-	Note 2

Note 1: The difference of the investee company’s gain (loss) in the current year and the Company’s investment gain (loss) recognized was the unrealized gain (loss) arising from intercompany transactions.

Note 2: Those amounts have been included in the investment income (loss) of the Company on the investees accounted for under the equity method.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2022

Expressed in thousands of NTD

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formflex Material Industrial (Changshu) Ltd.	Sales and manufacture of architectural door and locks and related accessories	\$ 735,090	(2)	\$ 735,090	\$ -	\$ -	\$ 735,090	\$ 129,702	100	\$ 129,702	\$ 938,587	\$ 686,717	Note 2
Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories and furniture	512,839	(2)	520,957	-	-	520,957	14,083	100	14,083	676,274	346,665	Note 2
Fortress door control product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	90,750	(1)	90,750	-	-	90,750	(24,353)	100	(24,353)	49,321	-	Note 2 、 Note 5
ChangShu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	(4,212)	51	(2,148)	10,509	-	Note 2 、 Note 6
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	(7,487)	100	(7,487)	(57,363)	-	Note 2
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote									
Taiwan Fu Hsing Industrial Co., Ltd.	\$ 1,262,745	\$ 1,262,745	\$ 4,023,480	Note 3									
Fortress Industrial Co., Ltd.	90,750	90,750	451,085	Note 4									

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

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

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

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

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

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

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

Note 5: On June 20, 2022, the shareholders resolved to terminate operation and deregister Fortress Door Control Product (Changshu) Co., Ltd. The related procedures are still in process.

Note 6: On October 20, 2022, the shareholders resolved to terminate operation and deregister Changshu Fortune Packing Material Co., Ltd. The related procedures are still in process.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area
Year ended December 31, 2022

Table 10

Expressed in thousands of NTD

Purchaser/seller	Investee in Mainland China	Provision of														
		Sale (purchase)		Property transaction		Accounts receivable (payable)		Other receivables		endorsements/guarantees or collaterals		Financing				
		Amount	%	Amount	%	Balance at December 31, 2022	%	Amount	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Material Industrial (Changshu) Co., Ltd.	(\$ 1,601,162)	(34)	\$ 3,212	29	(\$ 303,865)	(25)	\$ 72	3	\$ -	-	\$ -	-	\$ -	-	\$ -
Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	(73,310)	(2)	-	0	(5,339)	(1)	-	0	-	-	-	-	-	-	-
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	52,116	8	-	0	6,330	7	-	0	-	-	-	-	-	-	-
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	(44,401)	(9)	-	0	(6,244)	(12)	-	0	-	-	-	-	-	-	-
Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	(82,802)	(8)	-	0	-	0	-	0	-	-	-	-	-	-	-

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Major shareholders information
December 31,2022

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.97%
Fubon Life Insurance Co., Ltd.	10,886,000	5.77%
Fu Chih Investment Development Co.,Ltd.	10,091,307	5.35%
Fiuding Investment Trust Co.,Ltd.	9,428,254	5.00%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

Note 4: Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

Note 5: Total shares transferred in dematerialised form (including treasury shares) amounted to 188,452,170 shares=188,452,170 common shares + 0 preference shares.