

Security Code : 9924

台灣福興工業股份有限公司

TAIWAN FU HSING INDUSTRIAL CO., LTD.



2019

ANNUAL REPORT

Printed Date: March 30th, 2020

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

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

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Telephone No.: +886 7 6225151

Taipei Contact Office:

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4. Certifying CPA of the current year

Name of Certifying Accountants: WANG Kuo-Hua and LIAO A-Shen

Name of Accounting Firm: PwC Taiwan

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5. Listed overseas securities for trading: None

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

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I. Letter to Shareholders

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

2019 was another year in which Taiwan Fu Hsing once again had good results. Despite the head wind caused by the tension of international trade environment, Taiwan Fu Hsing's sales and operational profits in this year still reached a new high. The precious achievements on the one hand was due to the fast reactions and execution of all Taiwan Fu Hsing employees, domestically and internationally, to adjust production base in a comprehensive scale and assist our clients to minimize the trade war's impacts. Therefore, we received highly affirmation and recognition from our clients. On the other hand, the development of new products and the improvement projects involving better manufacturing process and more efficiency and wastage are still in progress and all had good results too. Therefore, Taiwan Fu Hsing was able to expand the product and technology's differentiation gap and enhance our overall competitiveness.

At the moment, the uncertainties of the macro-economy caused by the international trade tensions were not relieved, and yet the novel corona-virus pandemic (COVID-19) broke out unexpectedly in the beginning of the year and continued till now still not showing any sign of relief. It had caused unprecedented impacts to the global financial and consumer markets. While now facing such challenging situation, the whole Fu Hsing team restlessly takes precautions and makes in advance business continuity plans to confront every possible situation, well-arrange staff moving lines and contingency plans. Taiwan Fu Hsing is capable and has the confidence to safely survive the crisis.

The Company's 2019 operation results are stated as the following:

(1) Review the implementation of Business Plan

Unit: NTD1,000

List	2019	2018	Increase (Decrease)	Increase (Decrease) by %
Revenues (Net)	\$8,681,906	\$8,303,458	\$378,448	5%
Operating Profit	1,139,882	826,209	313,673	38%
NIBT (Net Income Before Tax)	1,154,223	975,276	178,947	18%
NIAT (Net Income After Tax)	825,693	693,117	132,576	19%

(2) Review of Budget Implementation

Not available. Fu Hsing did not disclose Financial Forecast for the year of 2019.

(3) Analysis of Receipt, Expenditure, and Profitability

List		2019	2018
Financial	Debt to Total Asset (%)	32.96	32.45
Structure	Long Fund to Fixed Assets, Plants,	231.73	223.64

	and Facilities (%)		
Business Solvency	Current Ratio (%)	266.16	243.60
	Quick Ratio (%)	212.36	188.31
	Times Interest Earned	148.73	385.72
Profitability	Return on Assets (%)	10.24	9.05
	Return on Equity (%)	15.11	13.23
	NIBT to Paid In Capital (%)	61.25	51.75
	Net Profit Ratio (%)	9.51	8.35
	Earnings Per Share (NTD)	4.38	3.68

(4) Research & Development Works

Developing new products and technology has always been one important operational direction for Taiwan Fu Hsing. In 2019, the goal to expand smart home market's IoT lock was not changed. We integrated computer software and cell phone apps and, through the most up-to-date communication technology, connected those to the existing smart home platforms in the market. As for lock appearances, to meet with the market demand of trendy modern style, we continued to innovate and promote lighter and tidier design.

As for mechanic locks, we provided more diversified and flexible appearance collocation and color selections with the expectation to meet all consumers needs. Consumers that were fond of different decoration styles were able to find their favorite styles and colors, from front door, to bedroom or even bathrooms; we are able to help them build their own living space.

In the area of commercial locks, we then focused on continuously inventing new functions and new apparatus for housing complex. Diversified choices have supported Fu Hsing to be client's strongest backing to win complex housing bids.

At the same time, we are now also devoting to develop anti-bacteria technology. The novel Corona Virus starts this page and opportunity. We believe even when the pandemic elapses in the future, the already wakened public health awareness will still continue. In the responsibility of promoting consumer's health and safety, Taiwan Fu Hsing will never be absence.

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

- a. Dynamically adjust the "business continuity plan" to well cope with the Covid-19 pandemic

Fu Hsing takes the Covid-19 pandemic situation seriously. Besides setting up infrared thermal image readers to monitor entrants' body temperature, we also extensively prepare and set up hand soaps and alcohol/sanitizer in the company to ensure the

safety and health of all the employees. Besides, we have planned and already implemented our business continuity plan, in which we properly arranged staff's moving lines, separated employee's dining time in groups, worked at different BCP sites, as well as planned ahead back-up plans to ensure the continuation of the Company's operation. In the future, we will also dynamically adjust the BCP plan to meet with the real-time development of the epidemics.

b. Strengthen our patent arrangement in the areas of e-locks and communication

Today 's technology changes in such a fast pace, and so as the technology in the door control area. The development and expansion of electronic locks will inevitably be the mainstream. Therefore, it brooks no delay for us to strengthen the patent arrangement in the area of electronic locks and communications in order to take the dominant position in this market. Hence, we would focus on listening to client's need, comparing our patent layout with main competitors', and cooperating with marketing unit's product road map output to uncover a direction to develop such technology with highly commercialized potential and highly market potential. All parties, from R&D, IP and Law Affairs, marketing unit to business planning units, are involved and working together to achieve the goal in strengthening our patent arrangement in the areas of e-locks and communication.

c. Continue our responsibility in corporate social responsibility

Taiwan Fu Hsing has been devoting in promoting comprehensive corporate governance, pursuing operational profits, as well as balancing factors in relation to the environment, society, and profits of all the interest parties. The goal of Taiwan Fu Hsing's corporate social responsibility was "governance transparency, symbiotic operation and wining, and sustainable operation". Through the SER Promoting Committee (Social & Environmental Responsibility), the Company promotes green manufacturing, establishes inclusive workplaces, cultivates talents, sets up responsible supply chain, and cares for the disadvantaged. Taiwan Fu Hsing will continue to realize our role as a corporate citizen and keep running after a sustainable future.

The novel corona virus pandemic has greatly impacted global economic market. The International Monetary Fund (IMF), hence, adjusted down the global economic growth in 2020 to -3%. In Taiwan, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan R.O.C. estimated Taiwan's economic growth rate in 2020 to be 2.37%, and maybe further adjust 0.35~0.5 percentage point downward depending on the pandemic situation. We can see that this year Taiwan is in a not-so-optimistic environment. Hence we shall all be alert and cautiously inspect the whole group's operation situation, dynamically adjust each factory's utilization and capacity to meet with the pandemic influences in both Taiwan and across the Strait. Fu Hsing Group will continue our path to

go forward steadily and dependably.

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: 7/F, No.10, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City,

Taiwan

Telephone No.: +886 2 22787810~11

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 Equipments and Materials Import

J. CC01101 Restrained Telecom Radio Frequency Equipments 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
1957~1966	<ul style="list-style-type: none">•Total capital was NT100,000 dollars at the time of establishment. The factory was established in Sanmin District, Kaohsiung City to produce bicycle parts for domestic market. The business reputation was good.•Due to the prosperous development of domestic motorcycle industry, the company's capital was increased to NT500,000 dollars and started to produce motorcycle parts for major domestic motorcycle manufacturers. The business had good fame island-wide.
1967~1976	<ul style="list-style-type: none">•Devoted to new products' research and development and added new equipment and facilities. Started to produce all different kinds of office swivel chairs and folding chairs. Fu Hsing injected a new blood to domestic chair products market and pushed domestic office chair industry to step into a new milestone.•With thriving business, the old factory required further expansion. Thus, for long term development, the

	<p>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.</p>
1977~1986	<ul style="list-style-type: none"> • For connecting the overall operation, the Financial Dept. and Operation Dept. were also moved to Kangshan Township. Fu Hsing's operation started to boom after consolidation of departments from different areas. • Fu Hsing Founder and also the Chairman, LIN, Huo-Mu, passed away. The Board of Directors resolved to elect Mr. LIN, Jui-Chang to be the successor. Chairman LIN devoted to product quality and management. With all's efforts, Fu Hsing product had good and stable quality and was accredited as A+ Quality Factory by the Ministry of Economic Affairs and evaluated as Taiwan Good Supplier by CNFI and Ministry of Economic Affairs. • In order to integrate corporate resources, set up systematic management system, and enhance overall efficiency, Fu Hsing introduced in E-Computerization system in full scale. 14 management systems were mapped out, and more IT personnel were trained. Fu Hsing officially stepped into computerized management. • With renowned good product quality, Fu Hsing was approved as one of the CNS certified factories by the Ministry of Economic Affairs.
1987~1996	<ul style="list-style-type: none"> • For enhancing all employees' awareness in product quality and quality improvement, Fu Hsing started to advocate humane management, QCC (Quality Control Circle), improvement proposal system, and introduced CWQC system to solidify the company's quality control system. • Invented electronic 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. • Fu Hsing products were awarded the mark of Taiwan Excellence. • On March 15th, 1995, Fu Hsing went public. Door Closer Group was established. °
1997~2006	<ul style="list-style-type: none"> • Obtained ISO-9002 certification from the Bureau of Merchandise Inspection. • Received the 7th Industrial Technology Development Award from the Ministry of Economic Affairs. • China's re-invested company Ji Jing Institution (Shanghai) Co., Ltd. was re-named to Fu Hsing Industrial (Shanghai) Co., Ltd.. • Consolidated 100% owned subsidiary Formflex Enterprise Co., Ltd. • Invested in Ziyong Hardware Products (Taichang) Co., Ltd. in China. • Formed strategic alliance with Ingersoll Rand Group from the United States. • ERP system was officially launched to achieve a more efficient integration on corporate resources and information system.
2007~2011	<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. • 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.

	<ul style="list-style-type: none"> 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 Tong Hsing Enterprise 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, Tong Hsing Enterprise Co., Ltd.
2018	<ul style="list-style-type: none"> Lab accredited by U.S. Intertek (ITS) Satellite's Level 3 Test Data Acceptance Program Tong Hsing Enterprise 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.

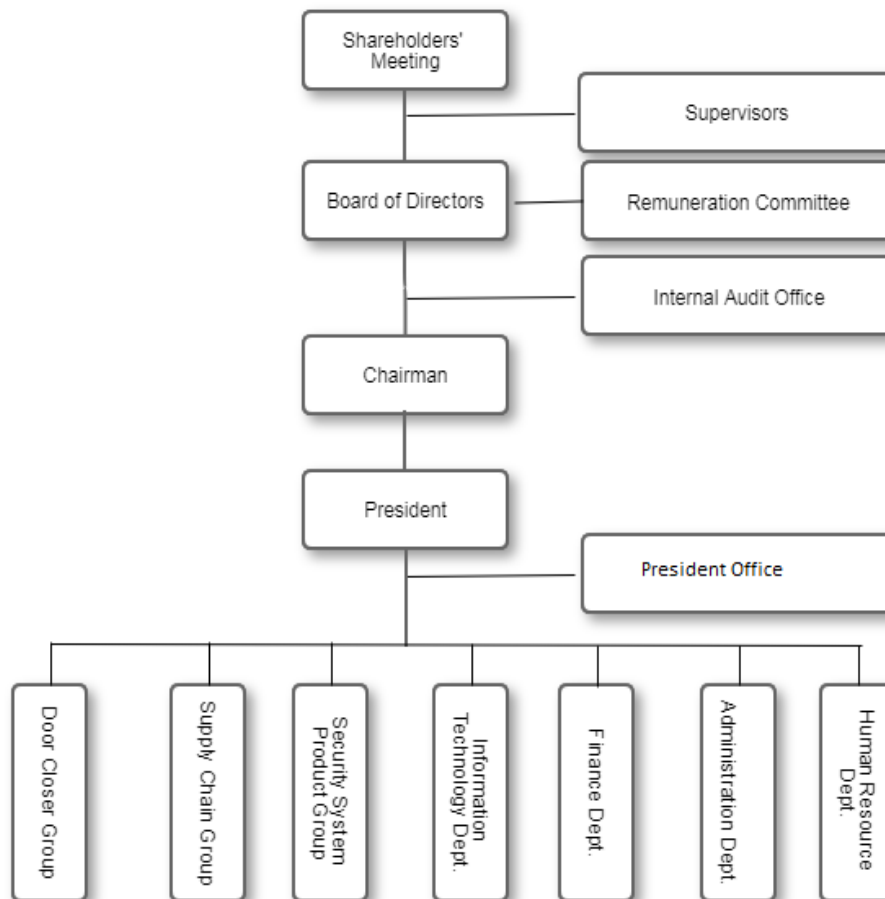
III. Corporate Governance Report

(1) Organization System

1. Organization Chart

Data drawn: Dec. 31, 2019

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



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, management system, labor safety and health, legal affairs, and stock affairs.
IT Department	Manager	Responsible for the company's information engineering system.
Finance Dept.	Chief Finance Officer	Responsible for accounting, taxation, investments, and fund management.
Administration Dept.	Manager	Responsible for facility maintenance, building safety, general affairs administration and employee health promotion.

HR Dept.	Manager	Responsible for human resources, educational trainings, employee performance management, salary management, attendance management and employee relations.
Security System Product 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, supervisors, president, vice president, Director, and the superintendents of all the company's divisions and branch unit

1. Information on directors and supervisors (1)

Data drawn on Mar. 30th, 2020

Title	Nationality or Place of Registration	Name	Gender	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 Concurrentl y	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	Jun. 19, 2017	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 Supervisor Director	CHANG, Jui-Pi LIN, Wen-Hsing LIN, Tzu-Hsuan	Spouse Brother Son
President	Taiwan R.O.C.	CHEN, Chien-Kun	Male	Jun. 19, 2017	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.	Representative of Fu Zhi Investment Co., Ltd.: CHU, Jung-Ho	Male	Jun. 19, 2017	3 Years	5/22/1996	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	National SunYat-Sen University - EMBA	Note 4	-	-	-
Director	U.S.A.	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	Male	Jun. 19, 2017	3 Years	6/15/2011	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	Brigham Young University - MBA	Note 5	-	-	-
Director	Taiwan R.O.C.	Representative of Hong Cheng Investment Development Co., Ltd.: LIN, Tzu-Hsuan	Male	Jun. 19, 2017	3 Years	6/19/2017	5,721,451 (Note 1)	3.04%	5,721,451 (Note1)	3.04%	-	-	-	-	University of Technology Sydney-MBA	Note 6	Chairman Vice President	LIN, Jui-Chang CHANG, Jui-Pi	Father Mother
Independent Director	Taiwan R.O.C.	CHANG, Ling-Ling	Female	Jun.19, 2017	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University / Accounting	Note 7	-	-	-

Independent Director	Taiwan R.O.C.	CHEN, Yung-Chun	Male	Jun.19, 2017	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University/Acc ounting	Note 8	-	-	-
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	Male	Jun. 19, 2017	3 Years	4/16/1999	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	90,045	0.05%	-	-	Cheng Shiu College - Machinery	Note 9	Chairman	LIN, Jui-Chang	Brother
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	Male	Jun. 19, 2017	3 Years	4/16/1999	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	-	-	-	-	Feng Chia University - Statistics	Note 10	-	-	-
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	Male	Jun.19, 2017	3 Years	5/31/2005	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	-	-	-	-	National Taiwan University of Science and Technology Graduate School-Industr y Management	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 supervisor in Advanced International Multitech Co., Ltd.

Note 3: Is concurrently the CEO of the Company.

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

Note 5: Is concurrently a consultant in First Western Advisors, the Honorary Chairman of Dynasty Petroleum Holdings, a director in Allegion Fu Hsing Limited, and a director in Medifast, Inc.

Note 6: Is concurrently the President of a business group in the Company.

Note 7: Is concurrently a committee member in Kaohsiung City Public Welfare Lottery Surplus Fund Management Committee, a director in Sun Far Computer Co., Ltd., and a committee member in the Remuneration Committee of the Taiwan Fu Hsing Industrial Co., Ltd

Note 8: Is concurrently a committee member in the Remuneration Committee of the Taiwan Fu Hsing Industrial Co., Ltd.

Note 9: Is concurrently a director in Ziyong Hardware Products (Taichang) Co., Ltd., a director in Formflex Metal Industrial (Changshu) Co, Ltd., and a director in Fortress Door Control Product (Changshu) Co., Ltd..

Note 10: Is concurrently a supervisor in Fortress Industrial Co., Ltd., and an independent director in Emerging Display Technologies Corp.

Note 11: Is currently the CEO of Waterland Venture Capital, the Chairman of Guo Want International Leasing Corp., a director in Fortress Industrial Co., Ltd., and an independent director of the Fuzetec Technology Co., Ltd.

1. Information on directors and supervisors (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 and supervisors (3)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder	Note
Fu Xun Investment Co., Ltd.	CHANG, Jui-Pi	37.96%
	LIN, Tzu-Hsuan	33.02%
	CHANG, Shan	3.09%
	LIN, Tzu-Yang	22.83%
Hong Cheng Investment Co., Ltd.	LIN YIN, Li-Wen	49.64%
	LIN, Chao-Hung	47.74%
Lian Guang Investment Co., Ltd.	LIN, Wen-Hsing	26.88%
	HSU, Mei-Hui	25.00%
	LIN, Chih-Cheng	24.37%
	LIN, Chih-Yu	23.75%
Sheng You Investment Co., Ltd.	LIN, Miao-Chen	33.04%
	LIN, Teng-Tsai	31.30%

Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Hsuan	-	-	✓	-	-	-	-	✓	✓	✓	✓	✓	✓	-	✓	-	-
CHANG, Ling-Ling	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
CHEN, Yung-Chun	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1
Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	-	-	✓	-	-	-	-	✓	✓	✓	✓	✓	✓	-	✓	-	-
Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1

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

Criteria:

- (1) Neither an employee of the Company nor of its affiliated enterprises
- (2) Neither a director nor a supervisor of the Company and of its affiliated enterprises (Exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
- (3) A natural person shareholder that neither him/herself, his/her spouse, or minor children or under other person's name holds more than 1% of the total outstanding shares of the company nor on the list of the top ten major natural person shareholder
- (4) Not a spouse, a second-degree relative, or a third-degree immediate blood relative of the manager that is in the above-mentioned category (1) or of the person that is in the above-mentioned category (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that indirectly holds more than 5% of the Company's total outstanding shares, or any of the top 5 major corporate shareholders, or corporate shareholder's representatives appointed in accordance to Article 27-1 or Article 27-2 of the Company Act. (However, exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
- (6) Not a director, supervisor, or employee of a company that holds the controlling power over the Company's board seats or holds over half of the voting power. (However, exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company,

the Company's subsidiaries, or any company of the Company's mother company.)

- (7) Neither the same person of the Company's Chairman, CEO or post of similar rank, nor a director(council member), supervisor, or employee of spouse's company or institution. (However, exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
- (8) Not a director (council member), supervisor, manager or shareholder that holds more than 5% of shares of any of the affiliated enterprises that financially or commercially relate to the company. (Exceptions apply to certain company or institution such as holding more than 20% and less than 50% of the Company's outstanding shares, and independent directors that concurrently serve in the Company and the Company's mother company, or the Company's subsidiaries, or any company of the Company's mother company.)
- (9) Not an individual professional or the owner, partner, director (council member), supervisor, manager, or manager's spouse of an sole proprietorship, partnership, corporation, or institution that provides auditing services to the Company or its affiliated enterprises or such provides operational, legal, financial, or accounting related services to the Company or its affiliated enterprises and obtains less than 500,000 Taiwan dollars as remuneration in the most recent two years. Exceptions apply to members of the Remuneration Committee, Review Committee of Public Tender Offers, or Special Committees for Merger/Consolidation and Acquisition that shall carry out their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a second-degree relative or spouse of other directors.
- (11) No matters related to Article 30 of the Company Act.
- (12) Not being elected from the government, legal person, or its representative as stated in Article 27 of the Company Act

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

Data Drawn on Mar. 30th, 2020

Title	Nationality	Name	Gender	Post Beginning Date (yyyy/mm/d d)	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	-	-	-	Soochow University - Accounting	Note	-	-	-
Group President	Taiwan R.O.C.	CHU, Jung-Ho	Male	2008/01/01	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University – EMBA	Note	-	-	-
Group President	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	Director	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	-	-	-
Director	Taiwan R.O.C	LI, Chen-Hui	Male	2004/10/01	968	-	-	-	-	-	Tung Hai University - Politics	None	-	-	-
Director	Taiwan R.O.C	LIN, Shih-Huang	Male	2012/01/01	40,000	0.02%	-	-	-	-	University of Michigan – Ann Arbor – Doctoral in Machinery	Note	-	-	-
Director	Taiwan R.O.C	LIN, Tzu-Hsuan	Male	2014/04/01	775,191	0.41%					University of Technology, Sydney - MBA	Note	Vice President	CHANG, Jui-Pi	Mother-Son
Director	Taiwan R.O.C	CHU, Hung-Yang	Male	2014/09/10	23,354	0.01%					Fu Jen Catholic University – International Trade	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	0.001%	-	-	-	-	Aletheia University – Industrial Management	None	-	-	-

Manager of HR Dept.	Taiwan R.O.C.	TSAI, Yen-Fen	Female	2009/01/01	-	-	-	-	-	-	National Cheng Kung University affiliated National Open University and Supplementary Junior College – Business Information	None	-	-	-
Manager of IT Dept.	Taiwan R.O.C.	TSAI, Yu-Kung	Male	2005/09/01	4,020	0.002%	-	-	-	-	Chung Yuan Christian University- Information Management	None	-	-	-

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

(3) Remuneration paid to directors, supervisors, 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	
Cash Bonus	Stock Bonus	Cash Bonus															Stock Bonus						
Director	Chairman	Note 5	-	-	-	-	10,395	10,395	3,262	3262	1.65%	1.65%	10,391	11,937	-	-	20,304	-	20,304	-	5.37%	5.56%	None
	Director	Note 6																					
	Director	Note 7																					
	Director	Note 8																					
	Director	Note 9																					
Independent Director	Independent Director	Note 10	-	-	-	-	1,452	1,452	270	270	0.21%	0.21%	-	-	-	-	-	-	-	0.21%	0.21%	None	
	Independent Director	Note 11																					

	<p>1. Please explain company's policy on director's remuneration, system, standard, and structure, and state the relationship between remuneration paid to directors and director's position, risk, investment, and other related factors:</p> <p>The remuneration policy, system, standard and structure for independent directors were made mainly in accordance with Article 26-1, "The Company shall distribute no more than five percent of the current fiscal year's profit to its directors and supervisors as remunerations", of the Company's Articles of Incorporation. In addition, in consideration of independent's objective position, their devotions in the assessments of the Board Meeting, and the average remunerations paid to directors in the industry, the Company evaluate all the factors to provide appropriate remunerations.</p> <p>2. Except for the above disclosure, remunerations paid to directors for providing services (such as service as a non full-time consultant etc.) to any of the company in the financial reports during the current fiscal year: None.</p>
	<p>Note 1: Included travelling expense of \$252 thousand dollars.</p> <p>Note 2: NIAT referred to the net earnings after tax of \$825,693 thousand dollars in 2019.</p> <p>Note 3: Included assigned business car expense \$870 thousand dollars.</p> <p>Note 4: Was a reserve account for retirement benefits in 2019, which was not yet paid.</p> <p>Note 5: LIN, Jui-Chang</p> <p>Note 6: CHEN, Chien-Kun</p> <p>Note 7: CHU, Jung-Ho, representative of Fu Zhi Investment Co., Ltd.</p> <p>Note 8: Michael A.Hoer, representative of Fu Zhi Investment Development Co., Ltd.</p> <p>Note 9: Hong Cheng Investment Co., Ltd.</p> <p>Note 10: CHANG, Ling-Ling</p> <p>Note 11: CHEN, Yung-Chun</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 Consolidated Report H	The Company	All Companies in the Consolidated Report I
Less than NT\$1,000,000	CHANG, Ling-Ling CHEN, Yung-Chun	CHANG, Ling-Ling CHEN, Yung-Chun	CHANG, Ling-Ling CHEN, Yung-Chun	CHANG, Ling-Ling CHEN, Yung-Chun
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)	LIN, Jui-Chang	LIN, Jui-Chang		

	CHEN, Chien-Kun	CHEN, Chien-Kun		
NT\$2,000,000 (including)~NT\$3,500,000 (excluding)	CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.) Hong Cheng Investment Co., Ltd.	CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.) Hong Cheng Investment Co., Ltd.	Hong Cheng Investment Co., Ltd.	Hong Cheng Investment Co., Ltd.
NT\$3,500,000 (including)~NT\$5,000,000 (excluding)				
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	CHEN, Chien-Kun Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	CHEN, Chien-Kun Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.)
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)			LIN, Jui-Chang CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.)	LIN, Jui-Chang CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.)
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)				
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)				
NT\$100,000,000 and above	-	-	-	-
Total				

2. Remuneration paid to supervisors

Unit: NTD1,000

Title	Name	Remuneration paid to supervisors						Summation of A, B and C to NIAT (%)		Remuneration received from investments in other subsidiaries
		Remuneration (A)		Compensation(B)		Business Incurred Fees (C)		(Note 2)		
		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	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	-	-	4,455	4,455	120	120	0.55%	0.55%	None
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti									
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan									
<p>Note 1: Included travelling expense of \$120 thousand dollars.</p> <p>Note 2: NIAT referred to the net earnings after tax of \$825,693 thousand dollars in 2019.</p>										

Remuneration Range Table

Remuneration range for supervisors of the company	Name of Supervisor	
	The total of first three remunerations(A+B+C)	
	The Company	All Companies in the Consolidated Report D
Less than NT\$1,000,000		
NT\$1,000,000 (including)~NT\$2,000,000 (excluding)	LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)-
NT\$2,000,000 (including)~NT\$3,500,000 (excluding)	-	-
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)	-	-
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. 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 (%)		Remuneration received from investments in other subsidiaries
												(Note 3)		
		The Company	All Companies in the Consolidate d Report	The Company	All Companies in the Consolidate d Report	The Company	All Companies in the Consolidate d Report	The Company		All Companies in the Consolidated Report		The Company	All Companies in the Consolidate d Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
President	CHEN, Chien-Kun	12,330	13,876	594	594	721	721	21,431	-	21,431	-	4.25%	4.44%	None
Group President	LIN, Teng-Tsai													
Group President	CHU, Jung-Ho													
Vice President	CHANG, Jui-Pi													
Vice President	WANG, Han-Ting													
Note 1: Was a reserve account for retirement benefits in 2019, which was not yet paid.														
Note 2: Included assigned business car expense \$676 thousand dollars.														
Note 3: NIAT referred to the net earnings after tax of \$825,693 thousand dollars in 2019.														

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)	CHANG, Jui-Pi/WANG, Han-Ting	CHANG, Jui-Pi/WANG, Han-Ting
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	CHEN, Chien-Kun/CHU, Jung-Ho/LIN, Teng-Tsai	CHEN, Chien-Kun/LIN, Teng-Tsai
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	CHU, Jung-Ho-
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)		
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)		
NT\$100,000,000 and above	-	-
Total		

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

Fiscal Year 2019 / 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 (%) (Note 2)
Managers	President	CHEN, Chien-Kun	-	27,850	27,850	3.37%
	Group President	CHU, Jung-Ho				
	Group President	LIN, Teng-Tsai				
	Vice President	CHANG, Jui-Pi				
	Vice President	WANG, Han-Ting				
	Director	LI, Chen-Hui				
	Director	CHU, Hung-Yang				
	Director	LIN, Tzu-Hsuan				
	Director	LIN, Shih-Huang				
	Plant Manager	CHUNG, Hsuan-Tung				
	Chief Finance Office	LI, Kuo-Wei				
<p>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. 27th, 2003.</p> <p>(1) President and of the same rank</p> <p>(2) Vice President and of the same rank</p> <p>(3) Director and of the same rank</p> <p>(4) Supervisor in the Finance Dept.</p> <p>(5) Supervisor in the Accounting Dept.</p> <p>(6) Other competent persons that are responsible for handling the Company's administration issues with signature rights</p> <p>Note 2: NIAT referred to the net earnings after tax of \$825,693 thousand dollars in 2019.</p>						

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

Title	Proportion of net profit distributed to the company's directors, supervisors, President and vice President in the 2019 company report and consolidated report .	Proportion of net profit distributed to the company's directors, supervisors, President and Vice President in the 2018 company report and consolidated report .
Directors	5.77%	6.57%
Supervisors	0.55%	0.60%
President & Vice President	4.44%	5.41%

- A. 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 product, and should also take the Company's operating results and director's contribution to the Company's performance into consideration.

- B. The Company's Remuneration Committee is responsible for establishing the "Taiwan Fu Hsing Salary and Remuneration Policy" (currently updated to the 4th version). According to the Policy, remuneration paid to managers is based on the formula and principle of each manager's performance.

The afore-mentioned bonus formula and principle mainly refers to the bonus maybe adjusted 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 paid the remuneration is based on the Company's "Manners to manager employee post structure and salary" and also takes into considerations of 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 of the year.

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 both are verified by the Company's Remuneration Committee, which reviews 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.

(4) Corporate governance practices

1. Information relating to the Operation of Board of Directors

During the fiscal year 2019, 7 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	7	0	100%	
Director	CHEN, Chien-Kun	7	0	100%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	6	0	86%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: CHU, Jung-Ho	7	0	100%	
Director	Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Hsuan	6	0	86%	
Independent Director	CHANG, Ling-Ling	7	0	100%	
Independent Director	CHEN, Yung-Chun	7	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 2019 (mm/dd/yyyy)	Important Resolution	Opinion of the Independent Directors	React to Independent Director's Opinions
1 st Meeting on 01/25/2019	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2018"	Approved	Not Applicable
2 nd Meeting on 03/22/2019	To review "2018 Remuneration Paid to Managers and Employees"	Approved	Not Applicable
3 rd Meeting on 05/10/2019	To adopt the 2108 business report and financial statements	Approved	Not Applicable
	To resolve on the 2018 earnings distribution	Approved	Not Applicable
	To review the proposal to distribute 2019 Dragon Boat Festival Bonus to the President and other managers.	Approved	Not Applicable

4 th Meeting on 06/21/2019	To resolve the Ex-Dividend Date for 2018 Cash Dividend Distribution	Approved	Not Applicable
5 th Meeting on 08/09/2019	To review the proposal to distribute 2019 Mid-Autumn Festival holiday bonus to Chairman and other managers	Approved	Not Applicable
6 th Meeting on 09/20/2019	The discussion on the procurement of real estate located in the Gangshan Benjhou Industrial Park	Approved	Not Applicable
7 th Meeting on 11/08/2019	The discussion on the practical investment of 2018 undistributed earnings.	Approved	Not Applicable
	Report of the execution effects of CSR Committee	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 paid to Employees, Directors and Supervisors" and "Remuneration paid to Managers and Employees", LIN, Jui-Chang, CHEN, Chien-Kun, CHU, Jung-Ho, Michael A.Hoer, and LIU, Tzu-Hsuan, 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, such as to take courses and seminars held by UBS, Department of Accountancy and Graduate Institute of Finance of NCKU, Accounting Research and Development Foundation, Securities & Futures Institute, The Institute of Internal Auditors-Chinese Taiwan, Taiwan Corporate Governance Association, and Taiwan Stock Exchange, to continuously obtain new knowledge and achieve better results in interactions and sharing. The total directors' training hours in 2019 were 66 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 "Shareholder's Special Column", "Social Responsibilities", and "Corporate Governance" 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 and supervisor from risks while they are in the mission to carry out their duties, the Company, started from 2018, purchased liability insurance for its directors and supervisors. 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.
4. Implementation status: Implemented in accordance with the Board of Director's Rules of Procedures; and the implementation were good.

4. The implementation of board member diversification:

Diversified Core Skills Name of Director	Basic Structure								Experiences in Related Industry				Professional Skills			
	Nationality	Gender	Company's Employee	AGE		Years as of an independent director			Security and Door Control	Production & Manufacture	Management & Consulting	Electronic Technology	Finance & Accounting	Leadership & Decision Making	Risk Management	Vision on International Marketing
				31-40	61-70	<3yrs	3-9years	>9yrs								
LIN, Jui-Chang	R.O.C.	M	✓		✓				✓	✓	✓	✓	✓	✓	✓	✓
CHEN, Chien-Kun	R.O.C.	M	✓		✓				✓	✓	✓		✓	✓	✓	✓
CHU, Jung-Ho	R.O.C.	M	✓		✓				✓	✓	✓	✓		✓	✓	✓
LIN, Tzu-Hsuan	R.O.C.	M	✓	✓					✓	✓				✓	✓	✓
Michael A.Hoer	U.S.A.	M			✓					✓	✓		✓	✓	✓	✓
CHANG, Ling-Ling	R.O.C.	F			✓	✓				✓	✓	✓	✓	✓	✓	
CHEN, Yung-Chun	R.O.C.	M			✓	✓				✓		✓	✓	✓	✓	

2. Information relating to the operation of Auditing Committee: the Company has plan to establish an Audit Committee in 2020, and the related establishment manner will be handled in accordance with Article 14-4, Item 2, of the Securities and Exchange Act.

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

During the fiscal year 2019, 7 Board Meetings were conducted. The name lists of the attendees are as follows:

Title	Name	Attendance in Person	Actual Attendance Rate (%)	Remarks
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	7	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	7	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	7	100%	

1. Composition and duty of supervisors:

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

When there is a need of communication, the Company's staffs or shareholders can either communicate through supervisors during the Company's Board of Directors' Meetings or Shareholders' Meeting or reach to request agent for stock affairs to communicate at any time. The Company's supervisors may direct concerned department to handle the issues upon request and need. Therefore, there have been established appropriate communication channels among the supervisors and company staffs and shareholders.

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

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

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

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

List of <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</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	✓			No significant divergence
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.	
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	✓		C. The company has already established related rules in the company's	

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</u>	
<p>risk management with affiliated companies and builds the firewall mechanism?</p> <p>D. Whether the company establishes internal regulations to prohibit insiders from utilizing un-disclosed information to purchase/sell securities?</p>			<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. Whether the company sets up rules for the diversity of the members of Board of Director and whether the rules are truly implemented?</p>	✓		<p>A.</p> <p>1. The company has made a plan for the diversification of board members and has been actually carried out the plan 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; - LIN, Jui-Chang, CHEN, Chien-Kun, CHU, Jung-Ho, and LIN, Tzu-Hsuan: are good at operation & management, lead & decision making, industry knowledge and operational judgment; - LIN, Jui-Chang and Michael A. Hoer: have made contributions to 	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</u>	
			<p>social care including;</p> <p>- LIN, Jui-Chang, CHU, Jung-Ho, Michael A. Hoer, and LIN, Tzu-Hsuan: are having international outlook;</p> <p>- 2 independent directors are good at finance, accounting and other associated affairs.</p> <p>3. The Company's Board of Directors currently is composed of 7 directors, including 5 general directors and 2 independent directors. The members have rich experiences and professions in finance and accounting, business, management and others. Among all the directors, 57% of the directors are company's employees, 29% of the directors are having the position as independent directors and 14% of directors are female. 2 independent directors have been served as independent directors for less than 3 years, 6 directors are in the age between 61-70 years old, and 1 is 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 2020 when the Company re-elects directors and supervisors, the achievement of such goal will be maintained.</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</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>4. Policies in relation to the diversity of the board members are disclosed on the Company's website.</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 Article 29 of the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and the company's "Methods for evaluating the independence of</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</u>	
			<p>the CPAs”, the company evaluates the independence of certifying accountants regularly each year.</p> <p>2. After carrying out the following evaluation procedures, the certifying accountants’ independence and competency have met the related regulations. The company has submitted the evaluation result to the Board of Director’s Meeting on January 16, 2020.</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>	

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</u>	
			<p>✓ Whether the certifying accountant confirms his accounting firm has complied with regulations associated to independency?</p> <p>✓ 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?</p> <p>✓ Whether the certifying accountant has been providing audit services for the Company for continuous seven years?</p> <p>✓ 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"?</p>	
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	✓		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	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</u>	
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 Directors' Meeting and Shareholders' Meeting, etc...)?			<p>Company's Governance supervisor to provide directors and supervisors with necessary information for executing their duties, assist supervisors and directors to be in compliance with the laws and regulations, and to handle Board of Directors meeting and Shareholders' Meeting related affairs in accordance with laws and regulations.</p> <p>Issues executed by the governance superintendent in 2019 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> <ul style="list-style-type: none"> i. Notify board members related amendments and developments in light of the Company's operation area and corporate governance laws and regulations; 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. iii. Assist independent directors to meet with internal supervisors and certifying CPAs on 2019/11/8 and 2019/11/06 respectively to understand the Company's financial situation. iv. Plan and arrange annual educational courses for general 	

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</u>	
			<p>directors and independent directors based on the Company's industry characteristics and each director's education background and work experiences.</p> <p>B. Provided assistance in handling the procedures in the Board of Directors' Meeting and Shareholders' Meeting and evaluated resolution compliance issues:</p> <p>i. Report the operation situation of the Company's corporate governance to board of directors, independent directors, audit committee and supervisors and confirm whether the convention of Board of Directors' Meeting and Shareholders' Meeting meet related regulations and corporate governance rules.</p> <p>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.</p> <p>iii. Inspect and review the disclosure of important resolutions made in the Board Meeting and ensure the legality and accuracy of the such material information disclosure's contents to make sure information equality for investor transactions.</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</u>	
			<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 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 minutes 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>Training session attended in 2019 as below:</p> <p>Seminars held by the Accounting Research and Development Foundation for a total of 9 hours:</p> <p>*Corporate Governance Practices session in the "Latest Labor Law News": Impacts and Responses to the newly released "Labor Incident Act".</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</u>	
			<p>*"Hot Topics in relation to Taiwanese homecoming entrepreneurs": the latest accounting and taxation policies in relation to homecoming Taiwanese entrepreneurs and the analysis on real cases</p> <p>*"Economic Crimes, Key Evidences": Evidence's effectiveness and law responsibilities in economic crimes.</p>	
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?	✓		<p>The company has and maintains good communications with its banks, creditors other than banks, employees, customers, and suppliers.</p> <p>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.</p>	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 about 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	✓		B. The company has assigned a staff to collect and disclose the company's information and truly carries out the spokesman system. The	

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</u>	
<p>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...)</p> <p>C. Whether the Company discloses and files the year's financial 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?</p>		✓	<p>Company also held conferences with investors and disclosed the contents of such conferences at the Company's website (www.fuhsing.com.tw).</p> <p>C. Currently the Company files its financial reports and monthly operational status with the authorities before the regulated deadlines in accordance with "List of Matters Required to Be Handled by Issuers of Listed Securities". 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.</p>	
<p>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>	✓		<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, investor relationship, join us (recruiting information), supplier platform are listed in separate sections. Also our contact information including emails, telephone number, and address can be found on the website.</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</u>	
			<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 and supervisors attend educational training with a fixed schedule.</p> <p>(3) Risk management policy and the implementation of risk measurement: Not applicable (this is for securities brokers).</p> <p>(4) Consumer protection or the implementation of customer policy: Not applicable (this is for securities brokers).</p> <p>(5) The company has purchased liability insurances for directors and supervisors.</p>	
<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 2019 based on the result of the most current year's corporate governance assessments as below:</p> <ol style="list-style-type: none"> The release of English Material Information : English material information is simultaneously disclosed at the time the Chinese material information is released. Enhance the Company's Corporate Governance Practices: To promote the transparency of information disclosure, the Company's official website now has both Chinese and English language. The promotion of corporate social responsibility: CSR related policies had been established, and the specific operation situation of the "SER Promoting Committee" and the execution plan for the following year was reported to the Board Meeting to 				

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</u>	
obtain approval in the Meeting and disclose on the Company's website before the end of each fiscal year.				
4. The communication between interested parties:				
The communication channel through the Company's website has been straightened. The Company also properly responded to interested parties with important CSR topics that they were interested in.				
5. Advanced training for directors and supervisors:				
The Company actually assisted all directors and supervisors to complete the required learning hours through personally attending in the training sessions.				

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

(1) Members of the Remuneration Committee

[illegible]

Note 1: Please fill in Director, Independent Director or Others in the field of Identity according to the actual situation	
Note 2: Please mark "✓" in the relevant criteria for committee members, who have met the following criteria two years before being elected and during their tenure	
(1)	Neither an employee of the company nor of its affiliated enterprises.
(2)	Not a director or supervisor of the Company or of its affiliated enterprises (Exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
(3)	A natural person shareholder that neither him/herself, his/her spouse, or minor children or under other person's name holds more than 1% of the total outstanding shares of the company nor on the list of the top ten major natural person shareholder.
(4)	Not a spouse, a second-degree relative, or third-degree immediate blood relative of the manager in the above-mentioned category (1) or the person that is in the above-mentioned categories (2) and (3).
(5)	Not a director, supervisor, or employee of a corporate shareholder that indirectly holds more than 5% of the Company's total outstanding shares, or any of the top 5 major corporate shareholders, or corporate shareholder's representatives appointed in accordance to Article 27-1 or Article 27-2 of the Company Act. (However, exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
(6)	Not a director, supervisor, or employee of a company that holds the controlling power over the Company's board seats or holds over half of the voting power. (However, exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
(7)	Neither the same person of the Company's Chairman, CEO or post of similar rank, nor a director(council member), supervisor, or employee of spouse's company or institution. (However, exceptions apply to independent directors that concurrently serve in the Company and the Company's mother company, the Company's subsidiaries, or any company of the Company's mother company.)
(8)	Not a director (council member), supervisor, manager or shareholder that holds more than 5% of shares of any of the affiliated enterprises that financially or commercially relate to the company. (Exceptions apply to certain company or institution such as holding more than 20% and less than 50% of the Company's outstanding shares, and independent directors that concurrently serve in the Company and the Company's mother company, or the Company's subsidiaries, or any company of the Company's mother company.)
(9)	Not an individual professional or the owner, partner, director (council member), supervisor, manager, or manager's spouse of an sole proprietorship, partnership, corporation, or institution that provides auditing services to the Company or its affiliated enterprises or such provides operational, legal, financial, or accounting related services to the Company or its affiliated enterprises and obtains less than 500,000 Taiwan dollars as remuneration in the most recent two years. Exceptions apply to members of the Remuneration Committee, Review Committee of Public Tender Offers, or Special Committees for Merger/Consolidation and Acquisition that shall carry out their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act
(10)	No matters related to Article 30 of the Company Act.

(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. 7, 2017 to Jun. 18, 2020. In current fiscal year, 3 meetings were held (A).

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

Title	Name	Attendance in Person (B)	Attendance in Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	CHANG, Ling-Ling	3	0	100%	-
Member	CHEN, Chin-Chi	3	0	100%	-
Member	CHEN, Yung-Chun	3	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 3 /4 th Meeting (01/25/2019)	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 "2018 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 “2018 Remunerations paid to manager and employees”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
	Term 3 / 5 th Meeting (05/10/2019)	The Review of “2019 Dragon Boat Festival holiday bonus in relation to the President and managers”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
	Term 3 / 6 th Meeting (08/09/2019)	Review of “2019 Mid-Autumn Festival holiday bonus in relation to the President and managers”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	

6. The implementation of corporate social responsibility and the discrepancies between the regulated Corporate Social Responsibilities Best Practice Principles for TWSE/GTSM Listed Companies and cause of such discrepancies

List of <u>Assessments</u>	Implementation Status (<u>Note 1</u>)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
1. 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? (Note 3)	✓		Referring to AA1000SES (AA1000 Stakeholder Engagement Standards), every year the Company collects topics that might be of stakeholders' interests through various communication channels such as periodicals review, company's regular morning meetings 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 year-round goals and important topics. Hence, the Company is able to implement an all-aspects risk assessment in relation to its production, human resources, and R&D directions, and further make according managerial policies.	No significant divergence
2. Whether the company sets up a unit that is exclusively (or concurrently) responsible for promoting the corporate social responsibility in the company, and such unit should be in charged by high level management empowered by the Board of Directors and reporting directly to the Board of Directors?	✓		The Company officially set up SER Promoting Committee 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 was appointed to lead the operation of afore-mentioned teams. Besides compiling the SER execution	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
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
			<p>booklet and SER acknowledgement, the Committee is also responsible for convening meetings (in every 4 months), as well as making, promoting, auditing, reviewing, and improving the Company's social and environment policies. The promotion and execution results of the related policies were acknowledged and approved by the board of directors. In addition, the Committee also released a CSR report every year and disclosed the report 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>Besides equipping with one execution member, the "SER Promoting Committee" also contains 8 major functional units in various professional fields to be responsible for collecting interested party related issues, establishing implementation plans, executing, reviewing and making improvements in accordance with the operational cycle of PDCA to support the Company in the progress of sustainable development.</p>	
<p>3. Environment Related Topics</p> <p>(1) Whether the Company establishes a proper environment management system based on the industry characteristics? ✓</p> <p>(2) Whether the Company devotes to enhancing the utilization efficiency of all the resources and adopts recycled materials that ✓</p>			<p>(1) The Company promoted 14001:2015 environmental management systems and had obtained approval in the 2019 inspection.</p> <p>(2) The Company considers risk control factors for the environment based on ISO14001 environment management system and uses this</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
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
cause less impact to the environment?			<p>to establish improvement goal and management policies in order to continuously make improvements. In 2019, the Company carried out the following projects to improve the efficiency of resources utilization:</p> <p>1. Energy saving projects:</p> <p>(a) The replacement of energy-saving lighting apparatus</p> <p>(b) Replaced mechanical air compressor with highly efficient air compressor to effectively promote air compressor's efficiency and obtain economic benefits</p> <p>2. Wastage reduction project: educated employees to have better resources recycle awareness and prevent excess waste of resources. Truly carry out the concept of "never discard a thing that can be recycled". The achievement rate was 100% in 2019.</p>	
(3) Whether the Company assesses current and future's implicit risks and opportunities in relation to climate changes, and adopts relevant countermeasures?	✓		(3) The Company assess climate changes related potential risks every year and adopts relevant countermeasures. The related information can be found in the Company's CSR report in the Chapter of 2.3 – Risk Management.	
(4) Whether the Company compiles statistics in relation to the past 2 years' green gas emission and total wastage, and establishes policies to save energy, reduce carbon emission and greenhouse	✓		(4) The Company inquires into the greenhouse emissions based on the greenhouse gas check and report principle announced by the Environment Protection Administration, Executive Yuan R.O.C., and	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
gas, and lower water usage and other wastage?			discloses the information voluntarily in the Company's CSR report. The related energy saving policies and statistics can be found in more details in the Company's CSR report, Chapter 6 the Environment. Among the information, in 2019, due to the increase of production capacity, the emission of greenhouse gas in 2019 was 7,273 tons CO _{2e} a year; comparing to greenhouse gas emissions of 10,624 tons CO _{2e} a year in 2018, the CO ₂ emissions has reduced about 32%. In addition, the Company also completed ISO14064 greenhouse gas emission inspection in December 2019 and had been verified and approved by a 3 rd party inspection institution.	
4. Social Issues				
(1) Whether the Company makes related management policy and procedures according to related laws and International Bill of Human Rights?	✓		(1) The company has consulted the International Bill of Human Rights as the reference and made "The Promise and Company Policy on Human Right" and other related management policies specifically on human rights (such as assessments on human rights, human right risk relief policies, human right related education training, etc...), which were all disclosed on the Company's website (Under the Chinese section of Investors→Corporate Governance → Ethical Corporate Management).	No significant divergence
(2) Whether the Company makes and implements reasonable employee	✓		(2) According to Article 26-1 of the Company's Articles of Incorporation,	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
benefit manners (including salary, vacation and other benefits), and properly reflects the Company's operation performance or achievements on remunerations paid to employees?			the Company should distribute no less than five percent of the Company's earning of the current year to employees as remunerations. The overall employee salary includes base wage, over-time pay, year-end and holiday bonuses (based on operational performance and employee's personal performance), and employee bonus. Employee's base wage is determined by his/her educational background, work experiences, professional ability, and work performance. In addition, the Staff Welfare Committee also irregularly holds health and culture related activities, such as the annual ball type team competitions, Zonzi making competition, hiking for public welfare, etc... It is expected that, through such policies and activities, all the Fu Hsing employees are able to have a well-balanced status in occupation and personal live.	
(3) Whether the Company provides a safe and healthy work environment to employees, and regularly holds employee's' safety and health education training?	✓		(3) The company 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 trainings on labor safety and health in order to ensure providing a safe and	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			<p>healthy environment and a continuous improvement mechanism. In 2019, the related projects carried out as follows:</p> <ol style="list-style-type: none"> 1. Monitor on labor's work environment: to monitor on-site environment in every 6 months. The monitoring statistics were announced on employee's bulletin board, so that employees were able to understand their work environment conditions at any time. 2. Work safety inspection: labor safety and hygiene inspections were carried out quarterly. Flaws, if found during the inspection, were sent immediately to each unit and were asked to improved. Information with regard to such flaws was also submitted to the vigilance meeting and was integrated into the evaluation of the unit's annual performance as a warning to the unit for continuous improvement. In 2019, there were found 250 flaws, which were all corrected and improved. 3. Special projects for improvements: <ul style="list-style-type: none"> (1) In Q4 2019, the Company carried out "Basket 	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			<p>Weight Reduction Human Factors Engineering Improvement Projects”, in which 25 parts were found over-weight and planned to be corrected in 2020.</p> <p>(2) Whole-Factory site Electrical Safety Inspection: the electrical safety in machinery, facilities, and dining areas were inspected. All extension cords (including in the office area) were confirmed with its use necessity and over-loading functions. Internal wires/foreign objects inside the electric disks were checked and confirmed. Inspections were also carried out in other factory areas. There were found 74 flaws and were all corrected.</p> <p>In addition, the Company regularly handles educational training sessions for new employees and on-site employees according to the Occupational Safety and Health Act. In 2019, 11 training sessions were held with 100% completion rate. Details are listed as</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
(4) Whether the Company establishes effective professional skill development training plans for employees?	✓		(4) The Company has constructed a multi-directional training system for employees. The system includes introductory training sessions for new employees, on-job training, real-time practices with assistance, job rotation system, and lectures with multiple topics. It is hoped by rich and diversified learning channels and proper career development plan, all the Fu Hsing employees have opportunities to utilize their expertise to work for the company and grow with the company.	
(5) Whether the Company follows regulations and international standards in the light of product and services in relation to client's health and safety, client's privacy, marketing and labeling, and establishes consumer right protection related policies and compliant procedures?	✓		(5) The Company has after-sale services for all the products and also carries out an effective customer complaint channel to assure all customers' rights. Products manufactured by Fu Hsing have obtained various international production tests and certifications. For example, the ANSI standard and fireproof certification by the UL in the North America, and the CE certification in Europe, etc...	
(6) Whether the Company establishes management policies toward its suppliers and requests suppliers to follow related procedures in issues relating to environmental protection, occupational safety and health and labor rights, and monitors the implementation status?	✓		(6) In order to extend corporate responsibility in SER to our supplier chain, Fu Hsing initiates the "SER assessment system" and invites suppliers to sign the "Declaration of Social and Environment Responsibility". At the same time, in light of mid to high risk suppliers, Fu Hsing each year visits their factories and carry out on-site inspections focusing on SER and AEO related issues such as ethical matters, labors, occupational safety and hygiene, etc...	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
			In 2019, Fu Hsing invited 5 new suppliers to sign the “Declaration of Social and Environment Responsibility”; the new supplier’s signing rate achieved 100%. In the year of 2019, neither the Company nor our suppliers had any issues that impacted the society. There was no case in relation to the termination of cooperation relationship with the Company’s suppliers.	
5. Whether the Company compiles CSR report or other non-financial related reports according to the international reporting standards or guidelines? Whether the afore-mentioned reports have obtained verification or positive opinion from any third-party verification units?	✓		The Company releases CSR report every year and update the file on the Company’s website for all the interested parties to view. The contents were compiled based on the core options and structures of Global Reporting Initiative, GRI.	The Company has not yet reached the scale, upon the request of Financial Supervisory Committee, to compile corporate social responsibility report. However, due to self-discipline and goal of sustainable operation, Fu Hsing has voluntarily compiles CSR report each year. The 2014 CSR Report was verified by AA1000 via SGS, and thereafter was updated and posted every year on the Company’s website under the section of “Corporate Social Responsibility” for lookup by all interested parties.
6. If the company follows “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” to establish the company’s CSR rules, then the Company should also state the implementation				

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>	
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 CSR practices: Ever since the establishment of “Taiwan Fu Hsing Cultural and Educational Foundation” in 2001, the foundation has been deeply cultivated in three areas – “sports promotion”, “education and cultivation”, and “culture and arts”. The foundation has been assessed as excellence grade several times by Kaohsiung City Education Foundation, and in 2017 and 2019 two consecutive years, it also received the Arts & Business Awards in the areas of “Corporate Culture Award” and “Corporate Devotion Award” from the Ministry of Culture.				

7. 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/GTSM 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/GTSM Listed Companies"?</p>	<p>✓</p> <p>✓</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. While encountering with unethical conducts, the handling and follow up discussions on the improvements should be reported to the Board of Directors as a special project case.</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/GTSM Listed Companies". Besides propagandizing during the Company's monthly meetings, the guidance and guidelines were separated upon its functions by the legal department to internal audit, intelligent right, marketing, and other related departments 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>	
(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 afore-mentioned stipulations?	✓		<p>carry out internal audit and make ethical behavior agreements. It is hoped 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 afore-mentioned 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. The dedicated unit shall report regularly to the Board of Directors in relation to its ethical operation policies and manners used 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>	
C. Whether the company establishes conflicts of interest prevention policy, provides proper declaration channels, and truly carries out the policy?	✓		prevent 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 afore-mentioned 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	

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>in any business activities, the Company explains the Company's policies and rules in relation to ethical operation. While was signing contract with others, the Company also brought into the concept of ethical operations into contract terms.</p> <p>Internal trainings held in 2019:</p> <p>(1) "Taiwan Fu Hsing SER Annual Re-training Session" / Date of training: 04/01/2019. Number of employees received training: 973 persons. Total training hour: 1 hour.</p> <p>(2) "Authorized Economic Operator's (AEO)Supply Chain Safety Annual Re-Training Session" / Date of training: 04/01/2019. Number of employees received training: 973 persons. Total training hour: 1 hour.</p> <p>(3) "Fu Hsing superintendents SER annual retraining session" / Date of Training: 06/11/2019. Total number of superintendents received training: 42 persons. Total training hour: 1.5 hours.</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: 06/18/2019~06/21/2019. Number of persons received training: 16 persons. Total training hour: 3 hour.</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>External trainings:</p> <p>(1) [2019 Insider Trading Prevention Propaganda” / Date of training: 11/01/2019. Number of person received training: 1 person. Total training hour: 3 hours.</p> <p>(2) [Independent Director/Audit Committee Audit Law Compliance” / Date of training: 11/06/2019. Number of person received training: 1 person. Total training hour: 6 hours.</p> <p>(3) [Domestically and Internationally Money Laundering Prevention & Fighting for Counter-Terrorism Financing regulation related training” / Date of training: 10/24/2019. Number of person received training: 1 person. Total training hour: 6 hours.</p> <p>(4) [AEO Authorized Economic Operator Supply Chain Safety Responsible Personnel Training” / Date of training: 10/18/219~10/20/2019. Number of person received training: 6 persons. Total training hours: 24 hours.</p> <p>(5) [The Institute of Internal Auditors - November & December Monthly Meeting] / Date of training: 12/20/2019. Number of person received training: 1 person. Total training hour: 6 hours.</p>	
<p>3. The Operation of Accusation (Whistle-Blowing) System</p> <p>A. Whether the Company establishes specific accusation and awarding</p>			A. The already made “Social and Environment Responsibility	No significant divergence

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<p>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>Statement” and “Internal Whistle Blower Guidelines” are explicitly expressed specific the company’s whistle blowing system. The Administration Department 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 highest level superintendent of the Administration Department. Superintendent of the Administration Department 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 prevent the complainant from differential treatments.</p>	
4. Information Disclosure Enhancement				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>	
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.	
5. If the company follows "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to establish the company's ethical management rules, then the company should also state the implementation status and the divergence between the real practices and the rules: None.				
6. Other important information that might help to understand the operation of ethical management practices:				
A. The company follows the regulations and rules stated in the Company Act, Securities and Exchange Act, Business Entity Accounting Act, related chapters for TWSE/GTSM listed companies and regulations relating to other commercial behaviors and takes such rules and regulations as basis to carry out ethical management practices.				
B. The company has established Board of Director's conflict of interest system in its "Rules of Procedures for Board of Director's Meeting". During the Board of Director's Meetings, if any director or director's represented corporation has conflict of interest on motions submitted on the meeting and such conflict of interests matter may bring risks to harm the company's benefit, then the director must state his comment on the motions and answer all related question. Besides, the director should not enter in to the motion's discussion or voting and should avoid his presence while the motion is brought up for discussion and voting. He cannot execute any voting right on the motion even if acting for directors.				
C. The company has established "Management Procedures to Prevent Insider Trading". The company carries out education trainings and guidance on the company's directors, supervisors, managers, employees, important information related units, and objects of the important information, and signs confidentiality agreement with them. Besides, the company also irregularly checks on insider's security trading information to see if there is any extraordinary trading circumstances and pays special attention on the management and storing of document, files, and e-records relating to the company's important information.				

8. If the company has established its own ethical corporate management principles and related policies, then the inquiry method should also be addressed: The company has promulgated 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, 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 Fu Hsing's corporate governance system.
9. Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: No.
10. Corporate governance related continuing education listed below were courses taken by managers:
Ministry of Economic Affairs – Bureau of Foreign Trade, Kaohsiung Office – Trade Management Briefing
Labor Affairs Bureau of Kaohsiung City Government – 2019 Occupational Risk Prevention Propaganda
Labor Affairs Bureau of Kaohsiung City Government – Fall Prevention related management practices and the related regulations and criminal liabilities discussion.
Accounting Research and Development Foundation – Advanced Courses for Corporate Governance Supervisors
National Cheng Kung University Department of Accountancy - Continuous Advanced Curriculum for accounting managers (2019)
Taiwan Stock Exchange Corporate (TWSE) – The Propaganda of Effectively Exerts the Function of Directors

11. The implementation of internal control system

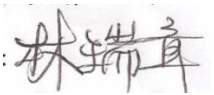
(i) Statement of internal control system

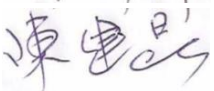
Date: March 9th, 2020

In the light of the Company's 2019 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, 2019, 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 9th, 2020 with 7 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

12. Regulatory authorities' legal penalties to the company and its employees, and the company's punishment to its employees due to violation to the company's internal control policy in the most current fiscal year and the current fiscal year until the printing date of this annual report: None.
13. Important resolutions made in the Shareholders Meeting and Board of Director's Meeting in the most recent fiscal year and up until the printing date of this annual report
- (1) General Shareholders' Meeting

Date	Important Resolutions	Execution Status
June 21, 2019	Adoption of the 2018 financial statements and proposal of earnings distribution.	On Jun. 21, 2019, the Board of Directors resolved to set the ex-dividend date on Jul. 17 th , 2019 and Aug. 9 th , 2019 as the cash dividend distribution date.

(2) Board of Director's Meeting

Date (mm/dd/yyyy)	Important Resolutions
1 st Meeting 01/25/2019	To discuss the results of 2019 Board of Directors' performance evaluation
	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2018"
	To review "2018 Remuneration Paid to Managers and Employees"
2 nd Meeting 03/22/2019	To adopt the 2108 business report and financial statements
	To resolve on the 2018 earnings distribution
	To discuss issues in relation to 2019 AGM
3 rd Meeting 05/10/2019	To review the proposal to distribute 2019 Dragon Festival holiday bones in relation to Chairman and managers
4 th Meeting 06/21/2019	To decide the ex-dividend date of 2018 cash stock distribution
5 th Meeting 08/09/2019	To review the proposal to distribute 2019 Mid-Autumn Festival holiday bones in relation to Chairman and managers
6 th Meeting 09/20/2019	To discuss the proposal to procure the real estate located in Benjhou Industrial Park
7 th Meeting 11/08/2019	To discuss the proposal to make substantial investment with the fund from undistributed earnings in 2018
	To discuss the execution effectiveness of the CSR Committee

14. Whether any director or supervisor ha different opinions on the approved important resolutions during the Board of Directors' Meetings in the most recent fiscal year and up until the date of printing of this annual report and such different opinions were recorded or taken down as written statement: None
15. The summary of post resignation or dismissal of personnel whose job might be relating to the company's financial reports in the most recent fiscal year and up until the date of printing of this annual report: None

(5) Information on certifying accountants

Name of Accounting Firm	Name of Accountant		Review Period	Remark
PwC Taiwan	WANG, Kuo-Hua	LIAO, A-Shen	2019	

(6) Information on certifying accountant's professional fees

(1) Information on accountant's professional fees

Unit: NTD1,000

Type		Audit fee	Non-Audit fee	Total
Fee Range				
1	Below NT\$2,000	-	\$450	\$450
2	NT\$2,000 (including)~NT\$4,000	\$3,660	-	\$3,660
3	NT\$4,000(including)~NT\$6,000	-	-	-
4	NT\$6,000 (including)~NT\$8,000	-	-	-
5	NT\$8,000(including)~NT\$10,000	-	-	-
6	NT\$10,000 and above	-	-	-

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

Unit: NTD1,000

Name of Accounting Firm	Name of Accountant		Audit Fee	Non-Audit Fee					Review Period	Remark
				System design	Business registration	Human resource	Others	Total		
PwC Taiwan	WANG, Kuo-Hua	LIAO, A-Shen	\$3,660	-	-	-	\$450	\$450	2019	Transfer pricing and other related services \$450

Note: the Company does not have issues that are required by the regulations listed in Article 5-1, Clause 10 of this Accounting Principles to be disclosed on the Annual Report.

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

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

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

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

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

Title	Name	2019		Jan. 1 st , 2020 ~ Mar. 30 th , 2020	
		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 Fu Zhi Investment Co., Ltd.: CHU, Jung-Ho	0	0	0	0
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	0	0	0	0
Director	Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Hsuan	0	0	0	0
Independent Director	CHANG, Ling-Ling	0	0	0	0
Independent Director	CHEN, Yung-Chun	0	0	0	0
Supervisor	Representative of Fu Zhi Investment Co., Ltd.: LIU, Ju-Shan	0	0	0	0
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	0	0	0	0
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	0	0	0	0
Group President	CHU, Jung-Ho	0	0	0	0
Group President	LIN, Teng-Tsai	0	0	0	0
Vice President	CHANG, Jui-Pi	0	0	0	0
Vice President	WANG, Han-Ting	0	0	0	0
Director	LIN, Tzu-Hsuan	0	0	0	0
Director	LI, Chen-Hui	0	0	0	0
Director	LIN, Shih-Huang	0	0	0	0
Chief Finance Officer	LI, Kuo-Wei	0	0	0	0
Plant Manager	CHUNG, Hsuan-Tung	0	0	0	0

(10) Information on the top ten shareholders and their interrelationships

(10) Information on the top ten shareholders and their interrelationships									
Name	Shares held in person		Shares held by spouse and minor children		Shares held under others name		Relationship among top 10 shareholders including spouse and within 2 nd degree relative as stated in No.6 of the Accounting Standard		Remark
Person in Charge	Shares	%	Shares	%	Shares	%	Title / Name	Relationship	-
HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.98%	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd.	10,886,000	5.78%	-	-	-	-	-	-	-
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%	-	-	-	-	Hong Cheng Investment Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung.	-
Fu Ding Investment Enterprise, Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Fu Xun Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Lian Guang Investment Co.							A 2 nd degree relative with the company's Chairman	-	
LIN, Chao-Hung							Fu Sheng International 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.	Both companies' Chairman is LIN, Wen-Hsing	-
Fu Zhi Investment Development Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Hong Cheng Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Fu Xun Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
LIN, Wen-Hsing							Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Sheng International Investment Co., Ltd.	7,003,000	3.72%	-	-	-	-	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	-	
Fu Xun Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Lian Guang Investment Co.							A 2 nd degree relative with the company's Chairman	-	
Fu Sheng International 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%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	4,839,000	2.57%	-	-	-	-	-	-	-
Fu Xun Investment Co., Ltd.	4,697,300	2.49%	-	-	-	-	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	-	
Hong Cheng Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Lian Guang Investment Co.							A 2 nd degree relative with the company's Chairman	-	
Fu Sheng International Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Lian Guang Investment Co.	4,210,417	2.23%	-	-	-	-	Fu Ding Investment Enterprise, Co., Ltd.	Both companies' Chairman is LIN, Wen-Hsing	-
Fu Zhi Investment Development Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
Hong 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	-	
Fu Sheng International Investment Co., Ltd.							A 2 nd degree relative with the company's Chairman	-	
LIN, Wen-Hsing									-

(11) Composite share holding percentage

Unit: Share; %

Invested Enterprise (Note 1)	Fu Hsing's stake		Stake of Fu Hsing's directors, supervisors, managers and enterprise that Fu Hsing directly or indirectly has controlling power over		Composite holding	
	Shares	%	Shares	%	Shares	%
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.	33,000,000	100%	-	-	33,000,000	100%
Tong Hsing Enterprise Co., Ltd.	70,000,000	100%	-	-	70,000,000	100%
FU HSING AMERICAS INC.	300,000	100%	-	-	300,000	100%
ARCTEK Industrial Co., Ltd.	5,838	70%	-	-	5,838	70%
Hundure Technology Co., Ltd.	5,059,415	51%	-	-	5,059,415	51%
ALLEGION FU HSING LIMITED	(Note 2)	49%	-	-	(Note2)	49%
Sunion Technology Co., Ltd.	2,900,000	100%	-	-	2,900,000	100%

Note 1: Refers to investment under equity method.

Note 2: Not applicable, the company does not issue securities.

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.0940116530 0 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.0980106251 0 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	2	6	84	12,452	98	12,642
Shares Hold	220,000	19,901,000	74,008,068	71,178,143	23,144,959	188,452,170
Shareholding %	0%	11%	39%	38%	12%	100%

(3) Dispersion of shareholding

NT\$10/share / Mar. 30, 2020

Range	Number of Shareholders	Number of Shares Held	Shareholding %
1 ~ 999	3,706	595,776	0.32
1,000 ~ 5,000	6,816	14,526,211	7.71
5,001 ~ 10,000	1,077	8,465,071	4.49
10,001 ~ 15,000	314	4,054,890	2.15
15,001 ~ 20,000	210	3,908,232	2.07
20,001 ~ 30,000	187	4,834,821	2.57
30,001 ~ 40,000	78	2,808,347	1.49
40,001 ~ 50,000	55	2,560,976	1.36
50,001 ~ 100,000	89	6,414,333	3.4
100,001 ~ 200,000	34	4,757,001	2.52
200,001 ~ 400,000	21	5,889,508	3.13
400,001 ~ 600,000	12	6,130,227	3.25
600,001 ~ 800,000	8	5,864,545	3.11
800,001 ~ 1,000,000	1	929,000	0.49
≥1,000,001	34	116,713,232	61.93
Total	12,642	188,452,170	100

(4) Name list of major shareholders

Name of Major Shareholder	Shares Held	Shareholding
HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.98%
Fubon Life Insurance Co., Ltd.	10,886,000	5.78%
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5%
Fu Sheng Investment Co., Ltd.	7,003,000	3.72%
Hong Cheng Investment Co., Ltd.	5,721,451	3.04%
CTBC Bank - LIN Jui-Chang trusted account	5,000,000	2.65%
Nan Shan Life Insurance Company Ltd.	4,839,000	2.57%
Fu Xun Investment Co., Ltd.	4,697,300	2.49%
Lian Guang Investment Co., Ltd.	4,210,417	2.23%

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

List \ Year		2018	2019	Current year until March 30, 2020
Price per Share	Highest	38.55	47.80	44.05
	Lowest	30.55	33.95	32.55
	Average	35.19	41.94	40.58
Book Value per Share	Before profit distribution	27.56	28.97	—
	After profit distribution	25.16	(Note 1)	—
Earnings per Shares	Weighted Average Shares	188,452,170	188,452,170	—
	EPS	3.68	4.38	—
Dividend per Share	Cash dividend	2.40	2.60	—
	Issuance of Bonus Share	—	—	—
		—	—	—
	Accrued unpaid dividend	—	—	—
Return on Investment	PE Ratio (Note 2)	9.56	9.58	—
	Price to Dividend Ratio (Note 3)	14.66	16.13	—
	Cash Dividend Yield (Note 4)	6.82%	6.20%	—

Note 1: Until the printing date of the annual report, the proposal of 2018 earnings distribution has not yet been resolved in Shareholders' Meeting.

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

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

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

(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. The Board of Directors shall then propose an earning distribution proposal and send to the Shareholders' Meeting for resolution. The appropriate of the aforementioned legal reserve may not be required when the accumulated legal reserve has amounted to the total capital.

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\$2.6 per share (for a total of \$489,975,642).

(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 27 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 and supervisors as remunerations. In the year of 2019, 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, 2020 resolved a total amount of NT\$196,965 thousand as remuneration paid to employees and a total amount of NT\$16,302 thousand as remuneration paid to directors and supervisors.
 - ii. In 2019, it was estimated to paid NT\$196,965 thousand to employees as remuneration and NT\$16,302 thousand to directors and supervisors 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.
 - C. The imputed basic Earnings Per Share after considering in remunerations paid to employees, directors and supervisors: \$4.38.
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 2019: NT\$161,877 thousand dollars to employees as remuneration and NT\$14,820 thousand dollars to directors and supervisors as remuneration.
 - B. The 2018 estimated amount planned to distribute: NT\$160,859 thousand dollars to

employees as remuneration and NT\$14,820 thousand dollars to directors and supervisors as remuneration

- C. There was no significant discrepancy: the discrepancy between the actual amount paid and the estimated amount in 2018 is adjusted as changes in accounting estimates and will be recorded as adjustments in the following year.

(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 Equipments and Materials Import
- J. CC01101 Restrained Telecom Radio Frequency Equipments 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	To provide traditional/electronic door lock. Under the premise of safety assurance to enhance our products' use flexibility and promote users' living quality.
Door closers and hinges	To provide door related hardware products other than door locks to enhance the convenience of use environment
Panic exit device	To provide customers with complete solutions in relation to fire exit door lock to reduce damages during fire disasters

4. Planned new products and services

a) In the business of door lock and panic exit devices

- a. All new modern style door lock product series
- 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
- e. Touch screen lock and push bottom electronic lock.
- f. Provide more lock appearances selections for US standard home lock products

- g. The expansion on functions of the U.S. grade commercial locks.
- h. Antibacterial type series products development
- i. Electronic parts relating to panic exit devices.

b) In the business of door closers

- a. Highly efficient door closers and the accessories that meet EU's EN standard
- b. Tension adjustable door closers that meet U.S. ADA light duty ANSI Grade 1 standard
- c. EU certified electronic stop device that can be applied on single-leaf / double-leaf door and door selector
- d. EU standard heavy type door/floor hinge related products
- e. Glass door hydraulic patch that is for quick installation and is applicable to both EU and US markets.

ii. The industry

I. Current status and development of the industry

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

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

In recent years, due to growing global economy, increasing land procuring costs, changing in housing purchase habits and safety awareness, residential complex housing has become the first choice for younger generations. Hence, taking its centralized management's characteristics and demands into consideration, how we can promptly supply the market with the door lock products that can meet the market demand has become an important thinking for researching and developing door lock product.

When IoT platforms gets maturer and more popular and the smart home market demands rise gradually, the safety function for locks actually defines such product's necessary role in the market. Different use environment and demands urged suppliers to develop electronic locks to with more functions, wider applications, better product mix selections and more flexible pricing strategies.

Taiwan contains superior capabilities in high quality industrial design, metal processing and electronic technology R&D abilities. With such advantageous strength, while is supplemented with agile marketing strategy and internationalized production& management division, the domestic door lock manufacturing industry has become the leader in the international market.

II. Interrelationship of the upstream, midstream and downstream industries

Upstream Industry
Basic metal industry
Midstream Industry
Mold design and manufacturing industry
Metal product manufacturing industry
Downstream Industry

Retail market OEM factories Construction related industries

III. Product development trend and market competitions

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

a. Product development trend

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

b. Market competition

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

b-1. High-Price Products

Major customers include locksmith market and distribution channels for certified and standardized architectural hardware products. Major competitors are manufacturers of local famous brands in Europe and North America.

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 do not stress on the safety and low-priced construction market. The major supplying area is Mainland China or India.

B. Door closer business

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

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

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

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

C. Our technology and R&D

In the current year (2019), the company invested in 196,710 thousand NT dollars in the field of R&D. Ever since the establishment of Taiwan Fu Hsing, we have obtained 481

domestic patents and 561 international patents, for a total of 1,042 patents domestically and internationally. The accumulated number of patents applied is nearly 1,388 items.

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

When continuing the good market driven by high employment rate, growing wage and tax-cut policies in the US market in 2019, we look ahead 2020 and expect the market demands from housing complex and rental housing will continue to grow and further spur door related hardware market with the expectation of continuous growth following the ease of China-US trade war. However, at the moment, we must pay close attention to the later on market impacts brought by Covid-19 pandemic. In the long run, to meet with the trend when the growth of housing complex will be much higher than single-family house and the changes of new generation's shopping habits, we will add more new products that better fits our clients in the major wholesale market and construction market and quickly response to the market demands to further penetrate into both traditional channels and online channels in order to provide consumers with more selections.

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 also use progressive strategy to continue integrating all the possible win-win cooperation projects and business partners and try to keep creating better profits and growth.

a) as for product strategy:

Will cooperate with the market growth trend, further analyze the purchasing habits and trends for customers of all the different ages and continue to construct more diversified products lines in facets of tradition/modern appearance and residential/public applications. We hope to provide customers with more diversified products such as products of pricing friendliness/high technology, products to meet with different architectural styles or products to be applied in all the different kinds of areas with different specs. The final purpose is to provide the most suitable products for our customers, so that Fu Hsing products are able to meet customers of all the ages' needs and expectation.

Electronic locks are the key point for R&D as home automation has become a trend. Our continuous focus will be on the mainstream -smart phone, Bluetooth, near-site communication, touch panel, biometric recognition system's development, and expansion the collaboration with electronic lock manufacturers, while at the same time to connect to the plan to draw a blueprint to develop home automation system and intelligent access control system. As for the guarded entrance management, aiming at lock application at residential complex management, the characteristics of wireless electronic locks can be utilized to provide convenience and flexibility for more sophisticated management on time and area, and meanwhile is able to reduce costs in installation and maintenance.

In the mean time, we will develop wider and broader products in different sectors to meet with demands of different pricing develop and specs. Vertically we will extend the depth of products as well as also horizontally increase the width of our products.

- For short term, we will 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. With various design

- In the long term, in high-end product line, we will connect with electronic technology trend, manage the new standards in this industry, attach closer to customer's favorite, and maintain close and good cooperation with global major door lock business groups.

- a. To carry out near appearance design and the promotion of electronic functions in the light of current electronic lock products (touch panel & keypad)
- b. To connect to the trend of home automation and continuous pay attention to the main-stream products such as smart phones, Bluetooth technology, NFC, touch screen, and biometric system. Will expand the development of IoT and the collaboration with electronic lock manufacturer, and draw a blueprint to foot at home automation system and intelligent access control through the integration with 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. Will still focus on "avant-garde modern" appearance as the new designing theme to promote more pricing competitive and using convenient modern style products.
- e. Will connect with the concepts of health and environmental protection that gains increasing attention today to develop products that contain both artistic sense and anti-bacterial surface function.

b) As for pricing strategy:

Since now younger customers gradually become one of 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, continue to expand, the economic scale, and strength cost advantages. We will continue to cooperate with the analysis on the market trend in order to provide quantities promotions at the right moment to stimulate purchasing willingness and promote 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 continue to 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:

In the short term, Fu Hsing will keep expanding the cooperation with global main streams to provide stable, high quality and cost competitive products to promote customer's brand image, so as to enhance market share together.

In the long term, Fu Hsing will integrate its own brands. For Taiwan domestic market, "Jia An (加安)" will still be the primary brand. For exports, Fu Hsing integrates and forms a complete product line by promoting its door lock brand "Faultless" and the associate brand "Arctek" for commercial use door locks, door closers, and hinges to provide customers with more diversified and comprehensive services.

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: for meeting the changing shopping habits of the new generations, we will actively launch products with more style selections (including traditional appearance style and modern trendy style, mechanical lock and electronic lock), participate in sample-giving promotional activities and other relation promotional activities in major on-line shopping platforms to accumulate high opinions on our products and also regularly launch limited time discounts to stimulate purchasing willingness, analyze further the characteristics of sales growth, pricing, and sales region distribution to launch appropriate products in specific areas, as we as provide new product information in time.
- b. Non-traditional sales channel: to promote the cooperation with 3C sales channels, manufacturers of home security systems, and suppliers.

(2) Market and the Production-Marketing Situation

1. Major marketing area and the market share

The company targets at global market. The exporting amount was about 94% of the Company's total revenue. Among the export sales, sales to the North America market was the largest part and accounted to 65% of total sales, China sales was about 12%, and sales from all other areas including Asia (exclude China), Europe, New Zealand and Australia, central South America, etc... was about 17%. By providing superior products and complete services, Fu Hsing has successfully promoted its products into international market and plays a significant role in global door-type hardware product market.

2. Future Market Demand and the Growth

- (i) North America: 2019 was still a period of prosperity in the overall North America market. New housing demand was stable, and so spurred and supported the demand in the related hardware market. The continuous US-China trade war on the contrary brought in business opportunities for the Company. However, in 2020 the fast outbreak and spread of the novel corona virus has caused obvious impact to global supply chain and shadows the outlook of global economic growth. We still need to pay close attention on the following impact to the market demand. Nevertheless, the Company will continue its existing R&D strength following the trend to introduce in antibacterial series products and at the same time speed up the development in wifi communication smart locks to add the function of contactless surface other than e-lock's original convenience function. We'd like to provide double protection to personal health and home safety, continue promote our market share, and further expand to all major markets globally.
- (ii) EU market: continue to develop strategic customers in Euro Zone to expand current sales channels. Meanwhile, in the light of current clients, we will also continue to promote niche

products to add more product items into current client's product profiles with the expectation to further drive up the growth.

- (iii) South-East Asia & Central South America: China products have tariff benefits in this area and come with low price competition. Fu Hsing will work with its regional partners and release differentiated products, in shape and product specs, with more alternatives from the basis of modulization through our strength in customer's existing brand image and Fu Hsing's stable quality. By locking in regional strategic working partners, we will aggressively strengthen cooperation plans and keep promoting our market share in local areas for further growth.
- (iv) New Zealand and Australia: Besides current channels, we will actively cooperate with strategic partners and focus on specific product lines and channels to keep expanding our market share and develop a new growth driver by agile marketing strategies and product mix.
- (v) Domestic market: By optimizing high value-added products and advancing into the electronic lock product and comprehensive security system, Fu Hsing uses a more complete product line to create new sales opportunities and markets.
- (vi) Emerging markets: The growing trend in Mainland China, Middle East, and India are still strong, especially the newly added demands in security product for commercial buildings in Saudi Arab 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) are favorable for vertical integration of parts supplying and production coordination of different parts to ultimately meet customer's needs.
- B. Cross-industry integration to create new business opportunities: the newly established Sunion Technology in 2019 will focus on the development and integration of smart locks and cloud IoT system. When connecting with the strength of Hundrue Technology in access control field, we'll further expand the width of product range and more complete our products and services.
- 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. The new plant, which was invested in Kangshan Benjhou Industrial Zone in Kaohsiung in 2017, has already put into operation in the first quarter of 2019. The new plant is expected to increase the capacity and promote the quality of Zinc Alloy die casting and surface processing productions.

F. 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

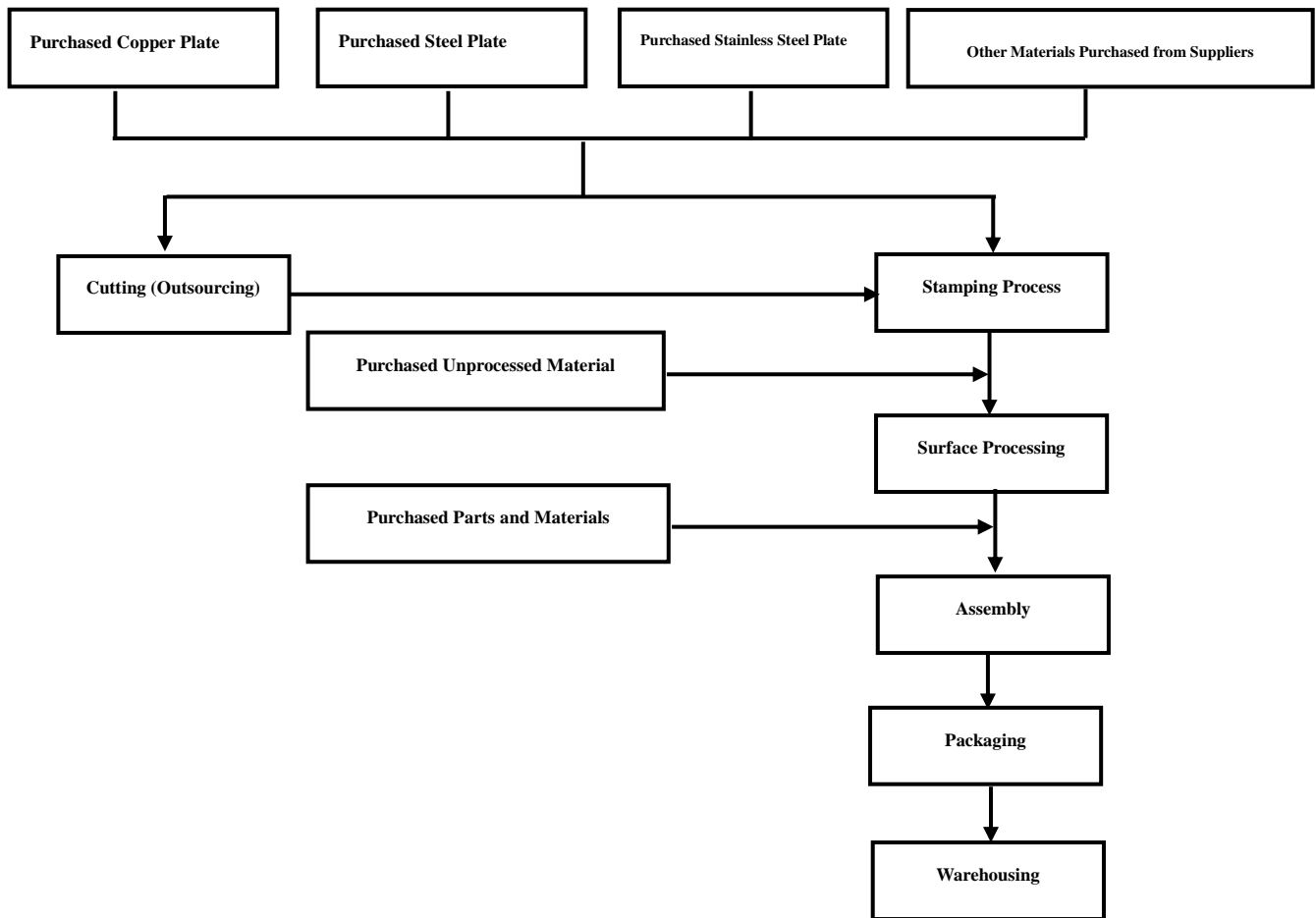
- A. China secondary product's low-price competition results in the irrational pricing competition in the market.
- B. The depreciation of US dollar due to the Fed's QE policy impairs profits.
- C. International trade war is still on-going.
- D. The novel corona virus pandemic continues still, we need to pay close attention to its impact on the supply chain and market demand.

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 decrease its cost and increase competitiveness. We will put more efforts into high value-added products like commercial use high-end product and electronic products, especially the foreseeable market trend-electronic locks 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 Group – LEE KEE Metal Co., Ltd. Mega International Resources Company Limited – Taiwan Branch Office	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 any of the most recent 2 years.

Unit: NT\$1,000 / %

List	2019				2018			
	Name	Amount	% of total procurement in the year	Relation to the Issuer	Name	Amount	% of total procurement in the year	Relation to the Issuer
	Others	\$6,472,682	100%	-	Others	\$6,516,537	100%	-
	Net Purchase	\$6,472,682	100%		Net Purchase	\$6,516,537	100%	

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

Unit: NT\$1,000 / %

List	2019				2018			
	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	\$2,575,548	30%	None	Customer C	\$2,079,879	25%	None
2	Customer B	1,162,882	13%	None	Customer B	999,349	12%	None
	Others	4,943,476	57%	-	Others	5,224,230	63%	-
	Net Sales	\$8,681,906	100%		Net Sales	\$8,303,458	100%	

7. Production volume and value over the past two years

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

Product volume & value Main Product	Year	2019		2018	
		Volume	Value	Volume	Value
Door related Metal Parts		47,022	\$6,618,241	43,437	\$6,410,540
Total		47,022	\$6,618,241	43,437	\$6,410,540

8. Sales volume and value over the past two years

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

Sales volume & value Main product	Year	2019				2018			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Door related Metal Parts		1,969	\$571,635	44,174	\$8,110,271	1,942	\$581,379	40,341	\$7,722,079
Total		1,969	571,635	44,174	8,110,271	1,942	581,379	40,341	7,722,079

(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		2018	2019	Jan. 1 ~ Mar. 30, 2020
Total Number of Employees	Director Labor	1,579	1,888	1,713
	Indirect Labor	665	749	756
	Management	223	233	235
	Total	2,467	2,870	2,704
Average Age		31.48	38.90	39.47
Average Year of Service		7.23	6.75	7.45
Education Analysis	Doctor	1	1	1
	Master	55	57	59
	University	869	1,069	1,100
	High School	821	989	937

	Below High School	721	754	607
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(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 Environmental Protection Bureau, Kaohsiung City Government came to the factory site on July 31, 2019 and drew water sample at the discharge outlet (D01) to make a laboratory test. The result showed the value of Chemical Oxygen Demand (COD) was 148mg/L (the limit is 100gl/L) and did not meet the standard for effluent. The afore-mentioned incident had already breached the Water Pollution Control Act in Article 7-1 (summarized), "Those enterprises.....that discharge wastewater or sewage into surface water bodies shall comply with effluent standards...." And was fined NT\$63 thousand dollars as administration disposition (Disposition correspondence no.30-108/-090027) by the competent authority on Sep. 29, 2019. The Company completed the related improvement on Oct. 7, 2019. Another water sample was drawn at the discharge outlet (D01) again and obtained the result: the Chemical Oxygen Demand was 44 mg/L (the limit is 100gl/L), which has already complied with the effluent standard. The Environmental Protection Bureau, Kaohsiung City Government came on Oct. 23, 2019 to investigate the wastewater operation facilities, which all passed the re-inspection. The Company will continue to work for improving the environment, reducing impacts to the environment, and hopefully we can create a win-win situation in both the economy and environmental protection.
2. In 2018, according to the request in the special renovation project of the Taichang Environmental Protection Bureau, our Taichang plant carried out renovations and upgrades in the light of its electroplating lines, as well as improvements toward zero wastewater discharge in the nickel plating lines. The renovation and upgrade construction were completed in May 2019 and passed the inspection in October 2019. In July 2019, the Environment Impact Assessment Dept. of the Taichang City Ecology and Environment Bureau convened a meeting and requested Taichang plant to follow the regulations for "List of Classified Management of Discharge Permits for Stationary Sources (2017 version" (no. 45 of the bureau correspondence) and according sewage permit industry's technical specifications to handle the application of pollutant discharge permit. Taichang plant was authorized and obtained the pollutant discharge permit on

Nov. 6, 2019.

3. 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 trainings 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.

4. 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.

5. Projected expenditures

The projected expenditures in the next 2 fiscal years

Unit: NT\$1,000

Name of Facility	2020	2021
The improvement and operation of air pollution prevention facility	4,431	4,455
The improvement and operation of water pollution prevention facility	15,220	15,478
Removal and process of business wastes	20,095	20,294

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

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

(6) Labor-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, due to its honest business culture, devotions in promoting labor conditions, efforts to create happy working environment and labor-capital's win-win situation, was highly recognized and was recognized as one of the top ten happiness enterprises in Kaohsiung City by the Labor Affairs Bureau of Kaohsiung City Government. 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.

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, we were once again recognized by the Ministry of Culture with the reward of "Arts & Business Award – Corporate Devotion Award".

In the area of building a healthy work environment, Fu Hsing has for three consecutive years obtained the three phase healthy work environment certification promoted by the Health Promotion Administration. The three phase certification includes "2014 smoke control label" → "2015 health start label" → "2016 health promote label", 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 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 2019 had 2,870 employees. The numbers of male and female employees were 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 2019, we provided 8 and 10 internship posts for National Kaohsiung University of Science and Technology and the Machinery Department of the Kao-Yuan Vocational High School of Technology and Commerce respectively to cultivate new talents in fields of mold-stamping, product design, quality assurance, and R&D. In addition, Taiwan Fu Hsing also cooperated with Kao Yuan University in the project of "New South-Bound International Programs of Industry-Academia Collaboration" and provided 17 Vietnamese students with internship and work-study opportunities, so international students were also able to personally participate

in the workplace and be trained with professional skills other than academic curriculums.

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 once 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 2019, the mother company convened 5 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.

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 trainings to encourage employees to pursue higher education. In addition, the Company also establishes a comprehensive on-job training system to assist employee with professional skills and knowledge and expand their expertise. Besides various professional trainings, the Company in 2018 continued to promote LEAN technology and QCC, and also held PSDM (Problem-Solving & Decision Making) courses for all the mid-to high level management for promoting their problem solving ability and risk prevention ability. In 2019, we continued to promote LEAN technology and QCC and devoted to the thinking of production process improvement and better quality achievement. Through visiting other factories to learn LEAN technology, we transformed the conception to apply on the optimization of production modes. The execution of education trainings in 2019 is summarized in the following table:

Taiwan Fu Hsing 2019 Education Training Program

Category	Female				Male				Total			
	Number of People	Training Hours	Course Fee	Average Training Hours	Number of People	Training Hours	Course Fee	Average Training Hours	Number of People	Training Hours	Course Fee	Average Training Hours
Director Labor	4,896	6,515	16,972	10.83	5,350	6,024	128,486	29.87	10,246	12,539	145,458	29.37
Indirect Labor	1,302	5,000	299,809	40.60	1,849	7,550	631,078	65.66	3,151	12,551	930,887	57.01
Management	287	1,104	77,949	111.88	745	4,637	535,078	153.05	1,032	5,741	613,027	148.72
Total	6,485	12,620	394,730	163.31	7,944	18,211	1,294,642	248.57	14,429	30,830	1,689,372	235.10

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): 1 person.

8. A comprehensive staff welfare network:

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

(i) Performance of the staff welfare committee

Fu Hsing set up Staff Welfare Committee (the “Welfare Committee” hereinafter) as early as in 1983. The committee members are elected by employees to manage the welfare funds. The Welfare Committee establishes all kinds of subsidy standards and handles various activities based on employee’s needs. In 2019, the staff welfare expenditures were totaled 13.45 million dollars, increasing about 40% comparing to the expenditures in 2018. The big increase in the expenditure was mainly spent on festival/holiday bonus and company trips. The following table listed major activities in a year besides various subsidies.

Time of the Activity (mm/dd)	Contents of Activity	Contents of Activity
1/25	2018 Year End Meal Gathering (Year End Party)	Employee Meal Gathering & Talent Show and Competition
4/14	Hiking for Public Welfare_ Agongdian Reservoir	Employee's hiking activity, when also working with Disability Welfare Association to handle activities including wheelchair tree climbing and experience of funny hand shake-shake.
5/3~5/5	Company Tour_ 3 days Hualian Tour	Took Taroko Express to Hualian and lodged at a 5-star resort hotel, visited various famous scenic spots in Hualian and discovered some secret sites.
5/18~5/19	Company Tour_2 days Central Taiwan Tour	Flower appreciation at West Lake Resortpia, Selfie at Gaomei Wetland, lake tour at Sun Moon Lake, lodged in a hotel near Taichung district and had Taiwanese pastries there.
6/5	Zongzi Making Relay Competition	To cope with the holiday of Dragon Boat Festival, the Committee held Zongzi making competition.
8/19~8/30	Badminton Competition	Badminton Group Competition that lasted 9 days, was also adorned with some competitions for fun.
11/9~11/10	Shrimp fishing competition	Five competitions were held. The competition was classified into employee game and family game. The prizes included Total Weight Award, Individual Shrimp's Weight Award, and Surprise Award.. After the competition, participants can also enjoy the shrimp's special meals.
12/14	Bowling Game	6 Groups and 18 sub teams, in the intermission, there were bonus activity for fun.

(ii) Comprehensive staff welfare facility:

1. Multi-functional court: we had an outdoor basketball court and an indoor multi-functional court (can be used to play basketball, volleyball, and badminton).

2. 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.

3. Staff restaurant: The spacious, bright, and well-equipped with audiovisual equipment dining environment is able to provide hygiene, delicious, economic and diversified meals. The Company establishes and maintains facilities in the cafeteria. The Employee Welfare Committee is appointed to operate the cafeteria. For having a 6 dishes and 1 soup 1 unlimited drink at the staff restaurant, employees only pay partial cost of the meal and the Welfare Committee subsidizes the remaining. We also have a separate dining area especially for Philippine workers for providing them with meals that suit their tastes and respects on their culture. Both receive high appraisal from employees. Sometimes even foreign internship trainees that came to Fu Hsing during only summer vacations express their memory on the company's staff restaurant.

4. 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. During the past year and in the current year until the reporting date of this annual report, the Company and its subsidiaries did not have any labor dispute related issues. The Company made all its regulations and policies according to laws and regulations and actively maintains labors' rights. We expect in the future we will continue such a peaceful and harmonious relationship between the capital and labor.

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. 2018, 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 2018 to November 2022. Currently the retirement fund management
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	committee has 6 representatives from the labor side and 3 from the capital side. In 2019, 67 retirement application were reviewed, including 10 retired employees and 57 employees with settlement of seniority.
A comprehensive pension system that also considers about humanity	<ul style="list-style-type: none"> ● In consideration of statutory requirements, the company fully follows regulations made in the "Labor Standards Act" and "Labor Pension Act" for both new system and old system pension plans. Besides, starting from March 2012, the company adjusted the retirement reserve appropriation rate to the highest level, 15%, and appropriated the highest reserve amount. 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 Method has helped many senior employees to retire early from the company without worries, so they were able to transfer their focuses to their families.

(7)Important contracts: none.

6. Financial Report

(1) Condensed Balance Sheets and Statements of Income

1-1. Condensed Consolidated Balance Sheet

Unit: NTD\$1,000

Year		Financial in the Past 5 Years (Note 1)				
		2015	2016	2017	2018	2019
Accounts						
Current asset		4,651,223	5,120,102	4,674,106	4,653,516	4,987,169
Real estate, plant and facilities		1,841,250	1,715,994	2,139,098	2,670,603	2,800,440
Intangible assets		124,252	26,198	26,800	30,051	29,349
Other assets		735,706	717,544	641,534	528,616	546,258
Total assets		7,352,431	7,579,838	7,481,538	7,882,786	8,363,216
Current liability	Before distribution	1,843,052	1,949,054	1,972,780	1,910,288	1,873,740
	After distribution	2,370,718	2,476,720	2,349,684	2,362,573	(Note 2)
Non-current liability		385,715	387,247	357,179	647,435	882,362
Total liabilities	Before distribution	2,228,767	2,336,301	2,329,959	2,557,723	2,756,102
	After distribution	2,756,433	2,863,967	2,706,863	3,010,008	(Note 2)
Equity attributable to the parent company		5,002,437	5,132,660	5,034,391	5,194,018	5,460,249
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	2,263,600	2,536,702	2,544,691	2,903,594	3,271,146
	After distribution	1,735,934	2,009,036	2,167,787	2,451,309	(Note 2)
Others equity		287,202	144,323	38,065	-161,211	-262,532
Treasury stock		—	—	—	—	—

Non Controlling interests		121,227	110,877	117,188	131,045	146,865
Total equities	Before distribution	5,123,664	5,243,537	5,151,579	5,325,063	5,607,114
	After distribution	4,595,998	4,715,871	4,774,675	4,872,778	(Note 2)

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2019 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

1-2. Condensed individual balance sheet

Unit: NTD\$1,000

Year Accounts		Financial in the Past 5 Years (Note 1)				
		2015	2016	2017	2018	2019
Current asset		2,431,001	2,414,120	2,357,903	2,217,129	2,407,229
Real estate, plant and facilities		913,528	902,872	738,088	780,279	791,922
Intangible assets		1,151	858	2,345	3,084	2,510
Other assets		3,177,234	3,329,837	3,331,353	3,577,146	3,658,990
Total assets		6,522,914	6,647,687	6,429,689	6,577,638	6,860,651
Current liability	Before distribution	1,173,779	1,203,183	1,173,162	1,137,544	1,127,648
	After distribution	1,701,445	1,730,849	1,550,066	1,589,829	(Note 2)
Non-current liability		346,698	311,844	222,136	246,076	272,754
Total liabilities	Before distribution	1,520,477	1,515,027	1,395,298	1,383,620	1,400,402
	After distribution	2,048,143	2,042,693	1,772,202	1,835,905	(Note 2)
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	2,263,600	2,536,702	2,544,691	2,903,594	3,271,146
	After distribution	1,735,934	2,009,036	2,167,787	2,451,309	(Note 2)
Others equity		287,202	144,323	38,065	-161,211	-262,532
Treasury stock		—	—	—	—	—
Total equities	Before distribution	5,002,437	5,132,660	5,034,391	5,194,018	5,460,249
	After distribution	4,474,771	4,604,994	4,657,487	4,741,733	(Note 2)

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2019 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

2-1 Condensed consolidated income statement

Unit: NT\$1,000

<div>Year</div> <div>Accounts</div>	Financial in the Past 5 Years (Note 1)				
	2015	2016	2017	2018	2019
Revenue	7,986,554	8,398,732	8,006,401	8,303,458	8,681,906
Gross margin	1,811,324	2,115,361	1,642,456	1,724,117	2,057,040
Operating profit	851,495	1,106,794	808,364	826,209	1,139,882
Non-Operation income (Expense)	224,984	53,802	-69,766	149,067	14,341
NIBT	1,076,479	1,160,596	738,598	975,276	1,154,223
Continuing operation's income	816,764	825,245	569,347	711,425	843,191
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	816,764	825,245	569,347	711,425	843,191
Other comprehensive income or loss (Net amount after tax)	-9,329	-163,377	-121,464	-156,905	-108,207
Total comprehensive Income (Loss)	807,435	661,868	447,883	554,520	734,984
Net profit attributable to owner of the parent	796,103	819,739	549,976	693,117	825,693
Net Profit attributable to minority interest	20,661	5,506	19,371	18,308	17,498
Total comprehensive income attributable to owner of the parent	787,623	657,889	429,397	536,531	718,516
Total comprehensive income attributable to minority interest	19,812	3,979	18,486	17,989	16,468
Earnings per share (Note2)	4.22	4.35	2.92	3.68	4.38

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS

2-2Condensed individual income statement

Unit: NT\$1,000

<div>Year</div> <div>Accounts</div>	Financial in the Past 5 Years (Note 1)				
	2015	2016	2017	2018	2019
Revenue	5,330,560	5,698,548	5,341,232	5,634,340	6,153,109
Gross margin	885,522	1,046,859	854,322	960,348	1,209,718
Operating profit	408,239	531,083	435,884	490,533	700,136
Non-Operation income (Expense)	546,043	461,454	210,232	367,772	320,813
NIBT	954,282	992,537	646,116	858,305	1,020,949
Continuing operation's income	796,103	819,739	549,976	693,117	825,693
Loss from discontinued operations	—	—	—	—	—
Net income (loss)	796,103	819,739	549,976	693,117	825,693
Other comprehensive income or loss (Net amount after tax)	-8,480	-161,850	-120,579	-156,586	-107,177
Total comprehensive Income (Loss)	787,623	657,889	429,397	536,531	718,516
EPS (Note 2)	4.22	4.35	2.92	3.68	4.38

Note 1: Reviewed and certified by CPA

Note 2: Basic EPS

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

Year	Accounting Firm	Name of Accountants	Audit Opinion
2019	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2018	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2017	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2016	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2015	PwC Taiwan	LIAO, A-Shen LIU, Tzu-Meng	Modified Unqualified Opinion

(2) Financial analysis

1. Analysis on consolidated Financial

<div>Year</div> <div>Analysis list (Note2)</div>		Financial analysis in the Past 5 Years (Note 1)				
		2015	2016	2017	2018	2019
Financial Structure %	Debt ratio	30.31	30.82	31.14	32.45	32.96
	Ratio of Permanent Capital to Fixed Assets, plants, and equipment	299.22	328.14	257.53	223.64	231.73
Solvency%	Current ratio	252.37	262.70	236.93	243.60	266.16
	Quick ratio	205.16	218.08	187.19	188.31	212.36
	Times interest earned	980.51	1,852.03	530.46	385.72	148.73
operating ability	Account receivable turnover (times)	4.93	5.04	4.97	5.49	5.76
	Average Collection Days	75	73	73	66	63
	Inventory turnover (times)	6.99	7.36	7.06	6.59	6.46
	Account payable turnover (times)	5.58	5.43	5.27	5.56	6.05
	Average inventory turnover days	53	50	52	55	56
	Fixed properties, plants and equipment turnover (times)	4.43	4.72	4.15	3.45	3.17
	Total assets turnover (times)	1.12	1.12	1.06	1.08	1.07
Profitability	Return on assets (%)	11.19	10.99	7.32	9.05	10.24
	Return on Equity (%)	16.21	15.81	10.58	13.23	15.11
	NIBT to Paid-in-Capital (%)	57.12	61.59	39.19	51.75	61.25
	Profit margin (%)	9.97	9.76	6.87	8.35	9.51
	EPS (dollar)	4.22	4.35	2.92	3.68	4.38
Cash Flow	Cash flow ratio (%)	57.44	75.76	39.43	29.48	67.54
	Cash flow adequacy ratio (%)	115.62	150.38	130.16	114.70	126.14
	Cash re-investment ratio	10.94	14.62	3.87	2.68	10.79

	(%)					
Leverage	Operation leverage	3.21	2.68	2.64	2.59	2.09
	Financial leverage	1.00	1.00	1.00	1.00	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) Decreased in the Times interest earned: Mainly due to the establishment of subsidiary, Tong Hsing, with the need to procure production facilities, and so the bank's credit line was used and the interest expenditure was increased in 2019.
- (2) Increased in Cash Flow Ratio: cash position was steadily increased due to 2019 profit growth.. Also, the redemption of beneficiary certificate increased cash inflow in operation activities too.
- (3) Increased in cash re-investment ratio: mainly due to the net cash inflow from 2019 operation 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 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 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)				
		2015	2016	2017	2018	2019
Financial Structure %	Debt ratio	23.31	22.79	21.70	21.04	20.41
	Ratio of Permanent Capital to Fixed Assets, plants, and equipment	585.55	603.02	712.18	697.20	723.94
Solvency%	Current ratio	207.11	200.64	200.99	194.90	213.47
	Quick ratio	183.01	175.25	175.66	166.57	174.70
	Times interest earned	45,443	41,357	2,486	66,024	127,620
operating ability	Account receivable turnover (times)	4.98	5.37	5.29	6.04	6.52
	Average Collection Days	74	68	69	60	55
	Inventory turnover (times)	15.25	15.57	14.43	14.36	12.37
	Account payable turnover (times)	6.05	5.90	5.54	6.28	7.89
	Average inventory turnover days	24	24	25	25	29
	Fixed properties, plants and equipment turnover (times)	5.90	6.24	6.46	7.37	7.78
	Total assets turnover (times)	0.84	0.86	0.81	0.86	0.91
Profitability	Return on assets (%)	12.66	12.45	8.41	10.66	12.29
	Return on Equity (%)	16.60	16.18	10.82	13.55	15.50
	NIBT to Paid-in-Capital (%)	50.64	52.67	34.29	45.54	54.18
	Profit margin (%)	15.01	14.47	10.37	12.38	13.49
	EPS (dollar)	4.22	4.35	2.92	3.68	4.38
Cash Flow	Cash flow ratio (%)	52.11	73.58	76.94	40.49	71.63
	Cash flow adequacy ratio (%)	106.47	122.72	134.67	126.32	138.47
	Cash re-investment ratio (%)	4.25	6.31	6.82	1.55	6.23
Leverage	Operation leverage	4.63	3.58	3.95	3.95	3.40
	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) Increased in Times interest earned ratio: mainly due to the increase of 2019 overall profit and the expenditure of loan interest maintained in a small amount.
- (2) Increased in Account payable turnover: because the US-China trade war reduced the production of Chinese factories in proportion, so the amount paid to suppliers were reduced too.

-
- (3) Increased in Cash Flow Ratio: cash position was steadily increased due to 2019 profit growth. Also, the redemption of beneficiary certificate increased cash inflow in operation activities too.
- (4) Increased in Cash Re-investment Ratio: mainly due to increased cash inflow from 2019 operation 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 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) Supervisor's audit statement on the most recent fiscal year's financial report

Supervisor's Audit Statement

Attn: Taiwan Fu Hsing Industrial Co., Ltd. 2020 General Shareholders' Meeting

In accordance with the Article 219 of the Company Act, we have examined the company's operation report and motions of earnings distribution along with the mother company's financial report and the consolidated financial report that were audited and signed by Accountants WANG Kuo-Hua and LIAO A-Shen of the PwC Taiwan and submitted by the Board of Directors for the year ending 2019, and found them in order.

Supervisor:

HUANG, Fu-Ti

(Representative of Fu Yuan Investment Co., Ltd.)

LIN, Wen-Hsing

(Representative of Fu Yuan Investment Co., Ltd.)

LIU, Ju-Shan

(Representative of Fu Yuan Investment Co., Ltd.)

March 9th, 2020

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

(5) The CPA certified consolidated 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, should the

Company and its affiliated companies have financial difficulties; the influences on the Company's

financial situation should be disclosed: None.

VII Financial situation and discussions and analysis on the year's operation results and the risk

management

1. Two year comparisons on financial situation

Unit: NT\$1,000

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	\$4,987,169	\$4,653,516	\$333,653	7%
Fund & Investments	282,169	308,791	-26,622	-9%
Real estate, factory and equipment	2,800,440	2,670,603	129,837	5%
Intangible assets	29,349	30,051	-702	-2%
Other assets	264,089	219,825	44,264	20%
Total assets	8,363,216	7,882,786	480,430	6%
Current liabilities	1,873,740	1,910,288	-36,548	-2%
Non-current liabilities	882,362	647,435	234,927	36%
Total liabilities	2,756,102	2,557,723	198,379	8%
Capital	1,884,521	1,884,521	-	-
Capital surplus	567,114	567,114	-	-
Retained earnings	3,271,146	2,903,594	367,552	13%
Other equity	-262,532	-161,211	-101,321	63%
Minor interests	146,865	131,045	15,820	12%
Total shareholder's equity	5,607,114	5,325,063	282,051	5%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Other assets increased 20%: mainly due to increased deferred income tax assets resulting from temporary difference and tax loss.</p> <p>(2) Non-current liabilities increased 36%: mainly due to the increase in long-term borrowings resulting in loan credit drawdown to meet the capital needs from factory construction and facility procurement of Tong Hsing, the 2019 invested subsidiary.</p> <p>(3) Other equity changed 63%: mainly due to USD fluctuation-caused currency translation of foreign subsidiary reflected on the financial statement.</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 operational performance

Unit: NT\$1,000

Item \ Year	2019	2018	Increase (Decrease)	Change %
Total sales revenue	\$8,746,815	\$8,346,066	\$400,749	5%
Sales return and discount	64,909	42,608	22,301	52%
Total sales revenue – net	8,681,906	8,303,458	378,448	5%
Operating Cost	6,624,866	6,579,341	45,525	1%
Gross Margin	2,057,040	1,724,117	332,923	19%
Operating Expenses	917,158	897,908	19,250	2%
Operating Profit	1,139,882	826,209	313,673	38%
Non-operating income and expenses	14,341	149,067	-134,726	-90%
Net income before tax	1,154,223	975,276	178,947	18%
Tax	311,032	263,851	47,181	18%
Net income after tax	843,191	711,425	131,766	19%
Other comprehensive income after tax – net	-108,207	-156,905	48,698	-31%
Total comprehensive income	734,984	554,520	180,464	33%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Sales return and discount increased 52%: mainly due to more sales discounts were given during the period of 2019 US-China trade war.</p> <p>(2) Operating profits increased 38%: mainly due to reasons including sales expansion, reduced bulk material pricing, improved gross margin, and better-controlled expenses.</p> <p>(3) Non-operating income and expenses reduced 90%: in 2019 USD was strong against Renminbi and New Taiwan Dollar, hence it was due to strong USD caused foreign exchange losses in 2019 (2018 was exchange gain).</p> <p>(4) Other comprehensive income after tax – net was having 31% changes: mainly due to the valuation changes of the 2019 invested public companies, and also the currency translation differences reflecting overseas plants' operation on the financial statement in 2019.</p> <p>(5) The comprehensive income increased 33%: mainly due to a combined influence of net profit of the year and other comprehensive net profit-after tax.</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 40,000~50,000 thousand units in 2020.</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

Item \ Year	2019	2018	Changes	
			Amount	%
Net cash flow	\$546,996	\$-334,281	\$881,277	-264
(1) Net cash inflow increased in 2019 comparing to 2018: mainly due to increased cash inflows from operating activities in relation to better operating profits in 2019, and the capital expenditure was less in 2019 was also a reason.				
(2) Improvement on insufficient liquidity: The company has sufficient cash in hand. There was no insufficient liquidity situation.				

2. Cash flow analysis for the future year:

Unit: NT\$1,000

Beginning cash balance	Estimated cash inflow from operating activities of the year	Estimated cash outflow of the year	Estimate amount of cash surplus (insufficient)	Supplement measures for insufficient cash	
				Investment planning	Financial planning
\$2,248,951	\$8,111,271	\$7,919,706	\$2,440,516	-	-
(1) Analysis on the estimated cash flow changes in 2019: A. Operation activity: Expect the Company can still maintain stable profit and cash inflow. B. Investment activity: Continued expenditures on equipment procurement and facility replacement are expected. C. Financing activity: Expect to have cash outflows due to cash dividend distribution.					
(2) The make-up plan for insufficient cash, and the analysis on solvency: We expect cash is enough in 2020.					

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

There is no major capital expenditure planned in the recent fiscal year.

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 2019, the Company recognized NT\$ 315,681 thousand dollars as profits from re-investments under equity method. 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 Risk management & assessment

1. Organization structure for risk management:

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

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

In the past year, bulk metal material's pricing and currency rate fluctuated. The Company will continue to adopt appropriate hedge policies on currency and materials procurement, and, meanwhile, actively keep on promoting VAVE and developing new products to improve and enhance the Company's overall value and strengthen further our competitiveness.

The responses to risks are listed as below:

- (1) Response to risks of interest rate: The Company has stable profits and sufficient operational cash. Although the Company has some bank loans with floating interest rates due to the purchase of real estate, factory and equipments, we expect the interest rate can keep at low level due to the QE policy in the market. Hence, we do not expect a big fluctuation in interest rates.
- (2) Response to risks of exchange rate: The Company is mainly doing exporting business, so exchange rate fluctuation does have certain effects on exporting sales. We will continue to carry out appropriate hedge strategy by forward selling with the expectation to reduce the exchange rate fluctuation risk to the minimal.

- (3) Response to risks of inflation: The price of international energy and bulk materials currently are in the trend of drop. But the Company will continue to discuss the relevance of all the consumed energies and try to develop alternative materials, through R&D, to control our procurement cost and reduce unnecessary wastes. We expect to reduce operational pressure through more effective resources utilization.

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. We will especially focus on providing agile alternatives in product appearances and the development of special surface process (such as antimicrobial coating).
- b. For commercially medium to heavy door products, the focus will be put on ANSI Grade 1 and UL fire proof products. We will continuously add new functions to further expand market coverage, and also keep moving toward products with higher technology barrier and higher values.
- c. Fu Hsing 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. Besides having obtained the BHMA test certification at the highest grade ANSI Grade 1 commercial door lock products, in the future we plan to further extend

downward to Grade 2 commercial door lock products in order to further enhance Fu Hsing's competitiveness in the construction market.

(2) Electronic door lock:

- a. Current production line is getting more and more integrated. Besides the existing push-bottom lock and electronic touch lock, we will also customize products with different appearances to satisfy customers from different groups in order to increase the marketing breadth.
- b. While more and more electronic products are able to connect to smart phones, we plan to develop electronic door locks with NFC (near field communication) or Bluetooth functions, and furthermore design an APP interface to connect products with smart phones to create a completely new user experience.
- c. The home automation market in North America is gradually going into a mature market. Taiwan Fu Hsing also follows major customer's footprint to develop electronic products that are compatible with Z-wave/Zig-bee technology. While cooperating with customer's own user platform, we are able to provide end users with a more comprehensive access security management system.
- d. For commercial use electronic door locks, the market always requires 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, to reduce customer's cost in public access management.

(3) The planned R&D investment: The planned R&D expense in 2020 was 215,547 thousand New Taiwan 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.

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 unappealable 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.

140Other 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, 2019



(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, 2019

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 process (electroplating & based 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.	330,000	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	Level2, Lotemau Centre, Vaea 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	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	13,133	Reinvestment business.
ChangShu Fortune Packing Material Co., Ltd. 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
Hundure Technology co., ltd. 漢軍科技股份有限公司	Apr. 10, 1989	No. 10, 7F, Lane 609, Chongxin Rd. 5 th Sec., Sanchong Dist., New Taipei City, R.O.C.	99,202	The production and sale of electronic control facility, electronic fire protection and monitoring system
Fortress Door Control Product (Changshu) Co., Ltd. 合興門控製品(常熟)有限公司	Mar. 12, 2014	High Tech Industrial Development Zone in Huangpujiang Rd., Changshu, Jiangsu	90,750	The manufacturing of door closer related products

		Province, P.R.C.		
Tong Hsing Enterprise Co., Ltd. 同興股份有限公司	Dec. 16, 2014	No.12, Bengong Rd., Kangshan Dist., Kaohsiung, R.O.C.	700,000	The processing and sale of hardware products
Sunion Technology Co., Ltd. 興陽科技股份有限公司	Aug. 16, 2019	No.123-6, 11F, Xingde Rd., Sanchong Dist., New Taipei City, R.O.C.	29,000	The production and sale of parts for electronic locks

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 working for the manufacturing and sales of door lock and door related metal accessories. Based on 2018 operations, the sales and procurement information involving affiliated companies are stated as below:

The transaction among affiliated companies:

A.

Unit:NTD1,000

Item	Affiliated Party		2019
Merchandises sales	Subsidiary	FHA	\$98,058
		Others	2,922
Labor sales	Subsidiary	Ziyong (Taichung)	18,696
		Formflex (Changshu)	9,259
		Others	5,894
Total			\$134,829

B.

Unit: NTD1,000

Item	Affiliated Party		2019
Merchandises Procurement	Subsidiary	Formflex (Changshu)	\$1,886,917
		Ziyong (Taichang)	263,543
		Tong Hsing	100,264
		Others	62,939
Labor expenditures	Subsidiary	F.H.A.	64,35
Total			\$2,378,019

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			
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	\$15,088	\$15,088	\$6,035	2.50%	Note 1(1)	\$98,058	-	-	None	-	\$98,058	\$1,092,050	Note2
Tong Hsing Enterprise Co., Ltd.	Account Receivable – Related party	Yes	100,000	-	-	2.5%	Note 1(2)	-	To purchase equipment	-	None	-	321,623	546,025	Note2
Arctek Security Technologies (Shanghai) Co., Ltd.	Other Account Receivable – Related Party	Yes	162,712	89,880	89,880	2.50%	Note1(2)	-	As working capital	-	None	-	187,308	280,962	Note3
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	15,088	-	-	2.50%	Note1(1)	-	-	-	None	-	0	196,565	Note3
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	6310	6310	6310	2.5%	Note1(2)	-	As working capital	-	None	-	68,259	98,283	Note3
Arctek Industrial Co., Ltd.	Other Account Receivable	Yes	110,000	110,000	35,000	2.616%	Note 1(1)	183,532	-	-	None	-	124,851	124,851	Note3

[illegible]

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

6. Directors, supervisors, presidents of the affiliated companies

Data drawn on Dec. 31, 2019				
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-Ho	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-Ho		
	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	33,000,000	100
	Vice Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	33,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	33,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIU, Ju-Shan	33,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	33,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	HUANG, Fu-Ti	33,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	33,000,000	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-Ho LIN, Wen-Hsing LI, Kuo-Wei	Limited company, not applicable	100
Fortune Industrial Ltd.	Chairman	TSAI, Ching-Chin	19600	49
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai	204,000	51
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Yung-Chih		--
Changshu Fortune Packing Material Co., Ltd.	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-Ho	0	0
	Director	LIN, Chou-Hsien	0	0
	Director	TSAO, Yung-Chuan	0	10
	Supervisor	LIN, Tzu-Hsuan	0	0
	Supervisor	LI, Kuo-Wei	0	0
Rui Sheng Industrial Co., Ltd.	Chairman	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	TSAO, Yung-Chuan	0	0
	Director	TAI, Hsu-Sung	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
Hundure Technology Co., Ltd.	Chairman	LIN, Chao-Hung	0	0
	Director	LIN, Tzu-Yang	0	0
	Director	LI, Chi-Chih	539,424	5
	Director (Representative of Taiwan Shin Kong Security Co., Ltd.)	HSU, Chen-Yen	650,880	7
	Director	CHU, Jung-Ho	0	0
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	5,059,415	51
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	TAI, Tzu-Chin	5,059,415	51
Fortress Door Control Product (Changshu) Co., Ltd.	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-Ho LIN, Teng-Tsai LIN, Wen-Hsing LIN, Tzu-Hsuan LI, Kuo-Wei	Limited company, not applicable	100
Tong Hsing Enterprise Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	70,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, -Chien-Kun	70,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Teng-Tsai	70,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	70,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	70,000,000	100
Sunion Technology Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	2,900,000	100

	Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	2,900,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	CHEN, Chien-Kun	2,900,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	LIN, Shih-Huang	2,900,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	CHEN, Yu-Lung	2,900,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	LI, Kuo-Wei	2,900,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co. Ltd.)	LIN, Tzu-Hsuan	2,900,000	100

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

Data drawn on Dec. 31st, 2019

Unit: NT\$1,000

Name of Business	Capital	Total Asset	Total Liability	Net Worth	Revenues	Operation Profits	Net Income	EPS (loss))
							(After Tax)	(in NTD) (after tax)
FU HSING AMERICAS, INC.	9,637	163,861	27,342	136,519	211,689	18,980	18,980	63.27
Master United Investment Group Ltd.	538,240	700,722	-	700,722	-	52,441	52,441	33.62
Ziyong Hardware Products (Taichang) Co., Ltd.	512,839	1,046,865	346,172	700,693	1,360,047	84,354	52,448	Note
Arctek (Shanghai) Safety Protection Technology Co., Ltd.	107,746	44,573	93,103	(48,530)	38,794	(5,987)	(7,102)	Note
Formflex Enterprise Co., Ltd.	741,744	982,829	-	982,829	-	(131)	186,407	7.86
Formflex Metal Industrial (Changshu) Co., Ltd.	735,090	1,250,972	314,427	936,545	2,099,079	236,120	185,983	Note
Fortune Industrial Ltd.	13,133	18,337	-	18,337	-	(200)	(200)	(0.98)
Changshu Fortune Packing Material Co., Ltd.	13,133	27,207	8,891	18,316	38,127	233	(168)	Note
ARCTEK Industrial Co., Ltd.	83,400	337,263	195,749	141,514	291,926	9,057	12,570	1,507.19
Rui Sheng Industrial Co., Ltd.	10,800	44,410	9,915	34,495	38,750	6,655	6,395	5.92

Fortress Industrial Co., Ltd.	330,000	951,351	327,095	624,256	1,305,345	96,836	87,260	2.64
Hundure Technology co., ltd.	99,202	315,500	139,183	176,317	230,499	30,523	24,019	2.42
Fortress Door Control Product (Changshu) Co., Ltd.	90,750	128,701	43,895	84,806	179,165	6,336	5,492	Note
Tong Hsing Enterprise Co., Ltd.	700,000	45,868	505,854	(459,986)	117,615	(59,927)	(51,350)	(0.73)
Sunion Technology Co., Ltd.	29,000	45,868	18,253	27,615	7,339	(2,513)	(1,385)	(0.48)

Note: Limited company, not applicable

(2) Private placement of securities: None.

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

(4) Other matters that require additional explanation: None.

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