

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000472

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

Opinion

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

In our opinion, based on our audits and the report of other auditors (please refer to “other matter” section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

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

Cut-off of export sales revenue recognition

Description

Please refer to Note 4(25) for accounting policies on revenue recognition.

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

How our audit addressed the matter

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

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

Allowance for inventory valuation losses

Description

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

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain investments accounted for using the equity method that are included in the parent company only financial statements, which statements reflect total investments accounted for using equity method of NT\$ 185,904 thousand and NT\$ 165,214 thousand as at December 31, 2019 and 2018, constituting 3% and 3% of total assets, and comprehensive income of NT\$ 21,370 thousand and NT\$ 22,062 thousand, for the years then ended, constituting 3% and 4% of total comprehensive income, respectively. Those financial statements were audited by other independent auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor’s responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wang, Kuo-Hua

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2020

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

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

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

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 798,952	12	\$ 594,683	9
1110	Financial assets at fair value through profit or loss - current	6(2)	45	-	200,140	3
1136	Current financial assets at amortised cost	6(3)	162,780	2	103,072	2
1150	Notes receivable, net	6(4)	19,494	-	24,872	-
1170	Accounts receivable, net	6(4)	891,671	13	859,420	13
1180	Accounts receivable - related parties	6(4) and 7	30,504	1	47,811	1
1210	Other receivables - related parties	7	25,537	-	27,505	-
1220	Current tax assets		-	-	14,599	-
130X	Inventories	6(5)	418,695	6	304,032	5
1476	Other current financial assets		2,698	-	2,532	-
1479	Other current assets, others		56,853	1	38,463	1
11XX	Current Assets		2,407,229	35	2,217,129	34
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	277,526	4	302,044	4
1550	Investments accounted for under equity method	6(7)	3,319,531	48	3,219,363	49
1600	Property, plant and equipment	6(8)	791,922	12	780,279	12
1780	Intangible assets		2,510	-	3,084	-
1840	Deferred income tax assets	6(20)	48,135	1	41,480	1
1980	Other non-current financial assets	7	8,290	-	11,527	-
1990	Other non-current assets, others		5,508	-	2,732	-
15XX	Non-current assets		4,453,422	65	4,360,509	66
1XXX	Total assets		\$ 6,860,651	100	\$ 6,577,638	100

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

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ -	-	\$ 90	-
2170	Accounts payable		313,311	5	299,907	5
2180	Accounts payable - related parties	7	230,508	3	408,856	6
2200	Other payables	6(9)	363,464	5	293,874	5
2220	Other payables - related parties	7	103,250	2	24,365	-
2230	Current income tax liabilities		99,897	1	93,680	1
2399	Other current liabilities, others		17,218	-	16,772	-
21XX	Current Liabilities		1,127,648	16	1,137,544	17
Non-current liabilities						
2570	Deferred income tax liabilities	6(20)	170,670	3	136,861	2
2640	Accrued pension liabilities	6(10)	102,084	1	109,215	2
25XX	Non-current liabilities		272,754	4	246,076	4
2XXX	Total Liabilities		1,400,402	20	1,383,620	21
Equity						
Share capital						
3110	Share capital - common stock	6(11)	1,884,521	28	1,884,521	28
Capital surplus						
3200	Capital surplus	6(12)	567,114	8	567,114	8
Retained earnings						
		6(13)				
3310	Legal reserve		1,035,700	15	966,388	15
3320	Special reserve		161,211	2	48,991	1
3350	Unappropriated retained earnings		2,074,235	30	1,888,215	29
Other equity interest						
		6(14)				
3400	Other equity interest		(262,532)	(3)	(161,211)	(2)
3XXX	Total equity		5,460,249	80	5,194,018	79
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 6,860,651	100	\$ 6,577,638	100

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
Items		Notes	2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(15) and 7	\$ 6,153,109	100	\$ 5,634,340	100
5000	Operating costs	6(5)(18)(19) and 7	(4,943,391)	(80)	(4,673,992)	(83)
5900	Net operating margin		1,209,718	20	960,348	17
	Operating expenses	6(18)(19) and 7				
6100	Selling expenses		(182,042)	(3)	(168,392)	(3)
6200	General and administrative expenses		(230,990)	(4)	(212,836)	(4)
6300	Research and development expenses		(95,115)	(1)	(88,201)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(1,435)	-	(386)	-
6000	Total operating expenses		(509,582)	(8)	(469,815)	(8)
6900	Operating profit		700,136	12	490,533	9
	Non-operating income and expenses					
7010	Other income	6(16) and 7	27,092	-	36,040	1
7020	Other gains and losses	6(17)	(21,952)	-	32,680	1
7050	Finance costs		(8)	-	(13)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net		315,681	5	299,065	5
7000	Total non-operating income and expenses		320,813	5	367,772	7
7900	Profit before income tax		1,020,949	17	858,305	16
7950	Income tax expense	6(20)	(195,256)	(3)	(165,188)	(3)
8200	Profit for the year		\$ 825,693	14	\$ 693,117	13
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(10)	(\$ 1,286)	-	\$ 4,279	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(6)(14)	(24,518)	(1)	(133,571)	(2)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(4,827)	-	(1,780)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	257	-	2,711	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(30,374)	(1)	(128,361)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive (loss) income, before tax, exchange differences on translation	6(14)	(45,213)	(1)	54,303	1
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(31,590)	-	(82,528)	(2)
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(76,803)	(1)	(28,225)	(1)
8300	Other comprehensive loss for the year		(\$ 107,177)	(2)	(\$ 156,586)	(3)
8500	Total comprehensive income for the year		\$ 718,516	12	\$ 536,531	10
	Basic earnings per share	6(21)				
9750	Total basic earnings per share		\$ 4.38		\$ 3.68	
9850	Total diluted earnings per share		\$ 4.27		\$ 3.58	

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

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

				Retained earnings		Other equity interest			
							Unrealised gains or losses on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Total equity
<u>2018</u>									
Balance at January 1, 2018		\$ 1,884,521	\$ 567,114	\$ 911,391	\$ 48,991	\$ 1,584,309	(\$ 118,364)	\$ -	\$ 5,034,391
Effects of retrospective application	6(14)	-	-	-	-	37,480	-	118,949	-
Balance at January 1, 2018 after retropective adjustments		<u>1,884,521</u>	<u>567,114</u>	<u>911,391</u>	<u>48,991</u>	<u>1,621,789</u>	<u>(118,364)</u>	<u>118,949</u>	<u>5,034,391</u>
Net income for 2018		-	-	-	-	693,117	-	-	693,117
Other comprehensive income (loss) for 2018	6(6)(14)	-	-	-	-	5,210	(28,225)	(133,571)	(156,586)
Total comprehensive income (loss)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>698,327</u>	<u>(28,225)</u>	<u>(133,571)</u>	<u>536,531</u>
Distribution of 2017 earnings:									
Legal reserve		-	-	54,997	-	(54,997)	-	-	-
Cash dividends	6(13)	-	-	-	-	(376,904)	-	-	(376,904)
Balance at December 31, 2018		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 966,388</u>	<u>\$ 48,991</u>	<u>\$ 1,888,215</u>	<u>(\$ 146,589)</u>	<u>(\$ 14,622)</u>	<u>\$ 5,194,018</u>
<u>2019</u>									
Balance at January 1, 2019		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 966,388</u>	<u>\$ 48,991</u>	<u>\$ 1,888,215</u>	<u>(\$ 146,589)</u>	<u>(\$ 14,622)</u>	<u>\$ 5,194,018</u>
Net income for 2019		-	-	-	-	825,693	-	-	825,693
Other comprehensive loss for 2019	6(6)(14)	-	-	-	-	(5,856)	(76,803)	(24,518)	(107,177)
Total comprehensive income (loss)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,837</u>	<u>(76,803)</u>	<u>(24,518)</u>	<u>718,516</u>
Distribution of 2018 earnings:									
Legal reserve		-	-	69,312	-	(69,312)	-	-	-
Special reserve		-	-	-	112,220	(112,220)	-	-	-
Cash ividends	6(13)	-	-	-	-	(452,285)	-	-	(452,285)
Balance at December 31, 2019		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 1,035,700</u>	<u>\$ 161,211</u>	<u>\$ 2,074,235</u>	<u>(\$ 223,392)</u>	<u>(\$ 39,140)</u>	<u>\$ 5,460,249</u>

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

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

		For the years ended December 31,	
	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,020,949	\$ 858,305
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	1,435	386
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(17)	6,832	(1,141)
Depreciation	6(8)(18)	54,522	50,017
Amortization	6(18)	3,331	3,073
Share of profit of subsidiaries, associated and joint ventures accounted for using equity method		(315,681)	(299,065)
Dividend income	6(16)	(9,788)	(17,520)
Interest income	6(16)	(13,915)	(12,531)
Interest expense		8	13
Gains on disposals of investments	6(17)	(721)	(641)
Loss on disposal of investments accounted for using equity method		9	-
Loss on disposal of property, plan and equipment	6(17)	51	127
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets or liabilities at fair value through profit or loss		193,984	(198,359)
Notes receivable		5,378	(2,339)
Accounts receivable	(	33,686)	11,324
Accounts receivable - related parties		17,307	(21,749)
Other receivables - related parties		18,076	39,892
Inventories	(	114,663)	(27,377)
Other financial assets - current	(	19)	(966)
Other current assets, others	(	18,390)	(1,319)
Other non-current assets, others	(	5,654)	-
Changes in operating liabilities			
Notes payables	(	90)	(158,399)
Accounts payable		13,404	118,023
Accounts payable - related parties	(	178,348)	(31,529)
Other payables		67,927	42,630
Other payables - related parties		78,885	3,637
Other current liabilities, others		446	7,083
Net defined benefit liability, non-current	(	8,417)	(11,588)
Cash inflow generated from operations		783,172	349,987
Dividends received		172,466	240,748
Interest received		13,768	12,484
Interest paid	(	8)	(13)
Income tax paid	(161,628)	(142,664)
Net cash flows from operating activities		807,770	460,542

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

	Notes	For the years ended December 31,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties (loan to others)	7	\$ 4,526	\$ 3,168
Acquisition of financial assets at amortised cost	6(3)	(162,780)	(103,072)
Proceeds from disposal of financial assets at amortised cost	6(3)	103,072	101,705
Acquisition of financial assets at fair value through other comprehensive income		-	(14,800)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	7,000
Acquisition of investments accounted for using equity method		(29,000)	(200,000)
Proceeds from disposal of investments accounted for using equity method		196	-
Acquisition of property, plant and equipment	6(22)	(37,323)	(76,354)
Increase in prepaid equipment		(24,588)	(12,605)
Proceeds from disposal of property, plant and equipment		51	695
Acquisition of intangible assets		(2,572)	(3,812)
Increase in other financial assets - non-current		(2,798)	-
Net cash flows used in investing activities		(151,216)	(298,075)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid	6(13)	(452,285)	(376,904)
Net cash flows used in financing activities		(452,285)	(376,904)
Net increase (decrease) in cash and cash equivalents		204,269	(214,437)
Cash and cash equivalents at beginning of year	6(1)	594,683	809,120
Cash and cash equivalents at end of year	6(1)	\$ 798,952	\$ 594,683

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

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

1. HISTORY AND ORGANIZATION

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

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

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

- (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRS”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(4) Classification of current and non-current items

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

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

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

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financials and operating policies. In general, it is presumed that the parent has the power to govern the financials and operating policies, if a parent holds, directly or indirectly, more than half of the voting power of an entity. Investments in subsidiaries are accounted for using equity method in these parent company only financial statements.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

I. Pursuant to the “Rules Governing the Preparation of Financial Statements by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

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

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

(15) Intangible assets

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

(16) Impairment of non-financial assets

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

(17) Notes and accounts payable

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Non-hedge derivatives

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of

redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

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

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

(23) Income tax

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

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

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

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

B. Services rendered

Revenue from services rendered by the Company in accordance with the contract is recognised based on the stage of completion.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was \$418,695.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash:		
Cash on hand and petty cash	\$ 285	\$ 252
Checking and demand deposits	<u>16,130</u>	<u>25,671</u>
	16,415	25,923
Cash equivalents:		
Time deposits	<u>782,537</u>	<u>568,760</u>
	<u>\$ 798,952</u>	<u>\$ 594,683</u>

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

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

A. The information on financial assets at fair value through profit or loss recognised in net gains and losses is provided in Note 6(17).

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

	December 31, 2019	
	Contract amount (notional principal)	Contract period
<u>Derivative Financial Assets</u>		
Forward foreign contracts	USD 500 thousand	2020.01
	December 31, 2018	
	Contract amount (notional principal)	Contract period
<u>Derivative Financial Assets</u>		
Forward foreign contracts	USD 2,000 thousand	2019.01

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

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

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

(3) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits with original maturity date	<u>\$ 162,780</u>	<u>\$ 103,072</u>

- A. Information on interest income from time deposits recognised under interest income from bank deposits is provided in Note 6(16).
- B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$162,780 and \$103,072, respectively.
- C. The Company has no financial assets at amortised cost pledged to others.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 19,494	\$ 24,872
Less: Allowance for bad debts	-	-
	<u>\$ 19,494</u>	<u>\$ 24,872</u>
Accounts receivable	\$ 893,686	\$ 860,000
Less: Allowance for bad debts	(2,015)	(580)
	<u>\$ 891,671</u>	<u>\$ 859,420</u>
Accounts receivable - related parties	<u>\$ 30,504</u>	<u>\$ 47,811</u>

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 19,494	\$ 874,560	\$ 24,872	\$ 870,016
Past due				
Up to 30 days	-	48,126	-	36,969
31 to 60 days	-	938	-	43
61 to 90 days	-	243	-	208
91 to 180 days	-	251	-	175
181 to 360 days	-	-	-	206
Over 360 days	-	72	-	194
	<u>\$ 19,494</u>	<u>\$ 924,190</u>	<u>\$ 24,872</u>	<u>\$ 907,811</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$943,684, \$932,683 and \$921,219, respectively.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$19,494 and \$24,872, \$922,175 and \$907,231 respectively.

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

(5) Inventories

December 31, 2019			
	Cost	Allowance	Book value
Raw materials	\$ 30,228	(\$ 1,730)	\$ 28,498
Work in process	237,400	(35,995)	201,405
Finished goods	193,227	(4,435)	188,792
	<u>\$ 460,855</u>	<u>(\$ 42,160)</u>	<u>\$ 418,695</u>

December 31, 2018			
	Cost	Allowance	Book value
Raw materials	\$ 19,456	(\$ 1,303)	\$ 18,153
Work in process	176,431	(28,868)	147,563
Finished goods	142,805	(4,489)	138,316
	<u>\$ 338,692</u>	<u>(\$ 34,660)</u>	<u>\$ 304,032</u>

The cost of inventories recognised as expense for the years ended December 31, 2019 and 2018 was \$4,943,391 and \$4,673,992, respectively, including the amount of \$7,500 of cost of sales recognised for writing down the inventory cost to net realisable value in 2018; and including the amount of \$840 of cost of sales decrease arising from the increase of net realisable value because the inventories were scrapped or sold in 2018 which were previously provisioned inventory valuation losses.

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

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

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

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

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

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

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

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

(7) Investments accounted for under the equity method

<u>Investees</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Carrying amount</u>	<u>Percentage of ownership</u>	<u>Carrying amount</u>	<u>Percentage of ownership</u>
Subsidiaries:				
FORMFLEX ENTERPRISE CO., LTD.	\$ 981,162	100%	\$ 922,972	100%
MASTER UNITED INVESTMENT GROUP LTD.	723,676	100%	700,231	100%
TONG SING Co., Ltd.	643,246	100%	694,595	100%
Fortress Industrial Co., Ltd.	622,673	100%	614,971	100%
HUNDURE TECHNOLOGY CO., LTD	160,903	51%	149,332	51%
Arctek Industrial Co., Ltd.	141,216	70%	132,097	70%
FU HSING AMERICAS INC.	130,612	100%	114,409	100%
Sunion Technology Co., Ltd.	27,615	100%	-	-
ARCTEK TECHNOLOGY LIMITED	-	-	224	100%
Associates:				
ALLEGION FU HSING LIMITED	<u>4,643</u>	49%	<u>6,747</u>	49%
	3,435,746		3,335,578	
Less: Accumulated impairment	<u>(116,215)</u>		<u>(116,215)</u>	
	<u>\$ 3,319,531</u>		<u>\$ 3,219,363</u>	

A. Subsidiaries

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2019 for the information relating to the subsidiaries of the Company.

B. Associates

(a) As of December 31, 2019 and 2018, the Company had no significant associates.

(b) The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:

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

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

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>At January 1, 2019</u>							
Cost	\$ 545,391	\$ 219,688	\$ 170,359	\$ 69,797	\$ 56,916	\$ 12,466	\$ 1,074,617
Accumulated depreciation and impairment	-	(146,085)	(79,076)	(37,211)	(31,966)	-	(294,338)
	<u>\$ 545,391</u>	<u>\$ 73,603</u>	<u>\$ 91,283</u>	<u>\$ 32,586</u>	<u>\$ 24,950</u>	<u>\$ 12,466</u>	<u>\$ 780,279</u>
<u>2019</u>							
Opening net book amount as at January 1	\$ 545,391	\$ 73,603	\$ 91,283	\$ 32,586	\$ 24,950	\$ 12,466	\$ 780,279
Additions	6,554	-	5,305	10,844	4,214	12,069	38,986
Reclassifications	-	-	35,574	5,833	-	(14,126)	27,281
Disposals - cost	-	(60)	(22,548)	(12,797)	(8,725)	-	(44,130)
Depreciation charge	-	(6,790)	(17,773)	(21,230)	(8,729)	-	(54,522)
Disposals - accumulated depreciation	-	59	22,445	12,797	8,727	-	44,028
Closing net book amount as at December 31, 2019	<u>\$ 551,945</u>	<u>\$ 66,812</u>	<u>\$ 114,286</u>	<u>\$ 28,033</u>	<u>\$ 20,437</u>	<u>\$ 10,409</u>	<u>\$ 791,922</u>
<u>At December 31, 2019</u>							
Cost	\$ 551,945	\$ 219,628	\$ 188,690	\$ 73,677	\$ 52,405	\$ 10,409	\$ 1,096,754
Accumulated depreciation and impairment	-	(152,816)	(74,404)	(45,644)	(31,968)	-	(304,832)
	<u>\$ 551,945</u>	<u>\$ 66,812</u>	<u>\$ 114,286</u>	<u>\$ 28,033</u>	<u>\$ 20,437</u>	<u>\$ 10,409</u>	<u>\$ 791,922</u>

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>At January 1, 2018</u>							
Cost	\$ 503,381	\$ 217,236	\$ 163,552	\$ 62,261	\$ 67,171	\$ 9,823	\$ 1,023,424
Accumulated depreciation and impairment	-	(139,408)	(75,399)	(29,051)	(41,478)	-	(285,336)
	<u>\$ 503,381</u>	<u>\$ 77,828</u>	<u>\$ 88,153</u>	<u>\$ 33,210</u>	<u>\$ 25,693</u>	<u>\$ 9,823</u>	<u>\$ 738,088</u>
<u>2018</u>							
Opening net book amount as at January 1	\$ 503,381	\$ 77,828	\$ 88,153	\$ 33,210	\$ 25,693	\$ 9,823	\$ 738,088
Additions	42,010	2,452	3,119	11,973	7,741	9,406	76,701
Reclassifications	-	-	17,361	5,631	100	(6,763)	16,329
Disposals - cost	-	-	(13,673)	(10,068)	(18,096)	-	(41,837)
Depreciation charge	-	(6,677)	(16,528)	(18,228)	(8,584)	-	(50,017)
Disposals - accumulated depreciation	-	-	12,851	10,068	18,096	-	41,015
Closing net book amount as at December 31, 2018	<u>\$ 545,391</u>	<u>\$ 73,603</u>	<u>\$ 91,283</u>	<u>\$ 32,586</u>	<u>\$ 24,950</u>	<u>\$ 12,466</u>	<u>\$ 780,279</u>
<u>At December 31, 2018</u>							
Cost	\$ 545,391	\$ 219,688	\$ 170,359	\$ 69,797	\$ 56,916	\$ 12,466	\$ 1,074,617
Accumulated depreciation and impairment	-	(146,085)	(79,076)	(37,211)	(31,966)	-	(294,338)
	<u>\$ 545,391</u>	<u>\$ 73,603</u>	<u>\$ 91,283</u>	<u>\$ 32,586</u>	<u>\$ 24,950</u>	<u>\$ 12,466</u>	<u>\$ 780,279</u>

- A. No borrowing costs was capitalized for the years ended December 31, 2019 and 2018.
- B. The significant components of buildings include main plants and renovations, which are depreciated over 55 and 25 years, respectively.
- C. The Company has no property, plant and equipment pledged to others as collateral.

(9) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salaries and bonus	\$ 250,651	\$ 207,543
Refund liabilities	42,699	30,516
Directors' and supervisors' remuneration	16,302	14,820
Labour and health insurance fees	11,847	10,027
Others	41,965	30,968
	<u>\$ 363,464</u>	<u>\$ 293,874</u>

(10) Pensions

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of funded obligations	\$ 364,837	\$ 420,956
Fair value of plan assets	(262,753)	(311,741)
Net defined benefit liability	<u>\$ 102,084</u>	<u>\$ 109,215</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 420,956	(\$ 311,741)	\$ 109,215
Current service cost	3,884	-	3,884
Interest expense (income)	4,210	(3,117)	1,093
	<u>429,050</u>	<u>(314,858)</u>	<u>114,192</u>
Remeasurements:			
Return on plan assets	-	(11,040)	(11,040)
Change in financial assumptions	8,464	-	8,464
Experience adjustments	3,862	-	3,862
	<u>12,326</u>	<u>(11,040)</u>	<u>1,286</u>
Pension fund contribution	-	(13,394)	(13,394)
Paid pension	(76,539)	76,539	-
Balance at December 31	<u>\$ 364,837</u>	<u>(\$ 262,753)</u>	<u>\$ 102,084</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 426,924	(\$ 301,841)	\$ 125,083
Current service cost	5,517	-	5,517
Interest expense (income)	4,696	(3,321)	1,375
	<u>437,137</u>	<u>(305,162)</u>	<u>131,975</u>
Remeasurements:			
Return on plan assets	-	(8,548)	(8,548)
Change in financial assumptions	3,744	-	3,744
Experience adjustments	525	-	525
	<u>4,269</u>	<u>(8,548)</u>	<u>(4,279)</u>
Pension fund contribution	-	(18,481)	(18,481)
Paid pension	(20,450)	20,450	-
Balance at December 31	<u>\$ 420,956</u>	<u>(\$ 311,741)</u>	<u>\$ 109,215</u>

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

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

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

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation				
December 31, 2019	(\$ 7,078)	\$ 7,334	\$ 6,350	(\$ 6,170)
December 31, 2018	(\$ 9,258)	\$ 9,602	\$ 8,385	(\$ 8,139)

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amounts to \$11,443.

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

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$20,623 and \$18,631, respectively.

(11) Share capital

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

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

(12) Capital surplus

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

(13) Retained earnings

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

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

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

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

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

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

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

(14) Other equity items

	2019		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation	
At January 1	(\$ 146,589)	(\$ 14,622)	(\$ 161,211)
Revaluation	-	(24,518)	(24,518)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	(45,213)	-	(45,213)
— Exchange differences on translation of shares of investments accounted for using equity method	(31,590)	-	(31,590)
At December 31	<u>(\$ 223,392)</u>	<u>(\$ 39,140)</u>	<u>(\$ 262,532)</u>

	2018		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation (Note)	
At January 1	(\$ 118,364)	\$ 156,429	\$ 38,065
Effects of retrospective application	-	(37,480)	(37,480)
At January 1, 2018 adjusted	(118,364)	118,949	585
Revaluation	-	(133,571)	(133,571)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	54,303	-	54,303
— Exchange differences on translation of shares of investments accounted for using equity method	(82,528)	-	(82,528)
At December 31	(\$ 146,589)	(\$ 14,622)	(\$ 161,211)

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

(15) Operating revenue

The Company's operating revenue are all revenue from contracts with customers.

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time and services over time in the following geographical regions:

<u>2019</u>	Goods	Services	Total
US	\$ 5,517,767	-	\$ 5,517,767
Asia	390,076	33,849	423,925
Europe	5,759	-	5,759
Other	205,658	-	205,658
	<u>\$ 6,119,260</u>	<u>\$ 33,849</u>	<u>\$ 6,153,109</u>
<u>2018</u>	Goods	Services	Total
US	\$ 4,976,091	-	\$ 4,976,091
Asia	392,509	35,736	428,245
Europe	6,182	-	6,182
Other	223,822	-	223,822
	<u>\$ 5,598,604</u>	<u>\$ 35,736</u>	<u>\$ 5,634,340</u>

(16) Other income

	For the years ended December 31,	
	2019	2018
Dividend income	\$ 9,788	\$ 17,520
Interest income:		
Interest income from bank deposits	13,702	11,409
Other interest income (Note)	213	1,122
Other income	3,389	5,989
	<u>\$ 27,092</u>	<u>\$ 36,040</u>

Note: Details of interest income from loans to related parties are provided in Note 7.

(17) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange (loss) gain	(\$ 15,790)	\$ 31,025
Gain on disposal of investments	721	641
Loss on disposal of property, plant and equipment	(51)	(127)
Net (loss) gain on financial assets at fair value through profit or loss	(6,832)	1,141
	<u>(\$ 21,952)</u>	<u>\$ 32,680</u>

(18) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expense	\$ 815,854	\$ 701,626
Depreciation charges on property, plant and equipment	54,522	50,017
Amortisation	3,331	3,073
	<u>\$ 873,707</u>	<u>\$ 754,716</u>

(19) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	\$ 687,156	\$ 583,145
Labor and health insurance fees	59,941	52,796
Pension costs	25,600	25,523
Directors' remuneration	15,373	14,218
Other personnel expenses	27,784	25,944
	<u>\$ 815,854</u>	<u>\$ 701,626</u>

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

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

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

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

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

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

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 164,568	\$ 114,788
10% tax on unappropriated earnings	3,226	10,375
Prior year income tax underestimation	51	90
Total current tax	167,845	125,253
Deferred tax:		
Origination and reversal of temporary differences	27,411	33,450
Impact of change in tax rate	-	6,485
Total deferred tax	27,411	39,935
Income tax expense	\$ 195,256	\$ 165,188

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

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	\$ 257	(\$ 856)
Impact of change in tax rate	-	3,567
	\$ 257	\$ 2,711

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 204,190	\$ 171,661
Effect of amount not allowed to be recognised under the regulations	(12,211)	(16,938)
Additional 10% tax on undistributed earnings	3,226	10,375
Prior year income tax underestimation	51	90
Income tax expense	\$ 195,256	\$ 165,188

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

2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	\$ 21,843	(\$ 1,683)	\$ 257	\$ 20,417
Loss on obsolete and slow-moving and market price decline of inventories	6,932	1,500	-	8,432
Accrued unused compensated absences	4,000	540	-	4,540
Accrued sales returns and discounts	6,103	2,437	-	8,540
Unrealised exchange loss	2,602	3,604	-	6,206
	<u>41,480</u>	<u>6,398</u>	<u>257</u>	<u>48,135</u>
Deferred tax liabilities:				
Revaluation increments	(41,619)	-	-	(41,619)
Investment income	(95,215)	(33,827)	-	(129,042)
Unrealised exchange gain	(27)	18	-	(9)
	<u>(136,861)</u>	<u>(33,809)</u>	<u>-</u>	<u>(170,670)</u>
	<u>(\$ 95,381)</u>	<u>(\$ 27,411)</u>	<u>\$ 257</u>	<u>(\$ 122,535)</u>
2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	\$ 21,264	(\$ 2,132)	\$ 2,711	\$ 21,843
Loss on obsolete and slow-moving and market price decline of inventories	6,035	897	-	6,932
Accrued unused compensated absences	2,216	1,784	-	4,000
Accrued sales returns and discounts	5,993	110	-	6,103
Unrealised exchange loss	3,388	(786)	-	2,602
	<u>38,896</u>	<u>(127)</u>	<u>2,711</u>	<u>41,480</u>
Deferred tax liabilities:				
Revaluation increments	(41,619)	-	-	(41,619)
Investment income	(55,434)	(39,781)	-	(95,215)
Unrealised exchange gain	-	(27)	-	(27)
	<u>(97,053)</u>	<u>(39,808)</u>	<u>-</u>	<u>(136,861)</u>
	<u>(\$ 58,157)</u>	<u>(\$ 39,935)</u>	<u>\$ 2,711</u>	<u>(\$ 95,381)</u>

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

(21) Earnings per share

For the year ended December 31, 2019			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 825,693	188,452	\$ 4.38
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 825,693	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	4,867	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 825,693	193,319	\$ 4.27
For the year ended December 31, 2018			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 693,117	188,452	\$ 3.68
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 693,117	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	5,012	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 693,117	193,464	\$ 3.58

(22) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2019	2018
Increase in property, plant and equipment	\$ 38,986	\$ 76,701
Add: Opening balance of payable on equipment (recorded as 'other payables')	1,405	1,058
Less: Ending balance of payable on equipment (recorded as 'other payables')	(3,068)	(1,405)
Cash paid for purchases of property, plant and equipment	<u>\$ 37,323</u>	<u>\$ 76,354</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2019	2018
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 27,281</u>	<u>\$ 16,329</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
FORTRESS INDUSTRIAL CO., LTD. (FORTRESS INDUSTRIAL)	Subsidiary
MASTER UNITED INVESTMENT GROUP LTD.(MASTER)	"
FORMFLEX ENTERPRISE CO.,LTD.(FORMFLEX)	"
FU HSING AMERICAS INC.(F.H.A.)	"
ARCTEK INDUSTRIAL CO., LTD. (ARCTEK INDUSTRIAL)	"
HUNDURE TECHNOLOGY CO., LTD. (HUNDURE TECHNOLOGY)	"
TONG SING CO., LTD. (TONG SING)	"
SUNION TECHNOLOGY CO., LTD. (SUNION)	"
FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD. (FORTRESS DOOR CONTROL)	"
RUI SHENG INDUSTRIAL CO., LTD. (RUI SHENG INDUSTRIAL)	"
ZIYONG HARDWARE PRODUCTS (TAICHANG) CO., LTD. (ZIYONG TAICHANG)	"
ARCTEK (SHANGHAI) INTERNATIONAL TRADING CO., LTD. (ARCTEK)	"
FORMFLEX METAL INDUSTRIAL (CHANGSHU) CO., LTD. (FORMFLEX CHANGSHU)	"
FORTUNE INDUSTRIAL LTD.(FORTUNE)	"
CHANGSHU FORTUNE PACKING MATERIAL CO., LTD. (CHANGSHU FORTUNE PACKING)	"
ALLEGION FU HSING LIMITED (ALLEGION)	Associate

(2) Significant related party transactions and balances

A. Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Subsidiaries		
F.H.A	\$ 98,058	\$ 135,110
Others	2,922	1,933
Sales of services:		
Subsidiaries		
ZIYONG TAICHANG	18,696	20,676
FORMFLEX CHANGSHU	9,259	9,031
Others	5,894	6,029
	<u>\$ 134,829</u>	<u>\$ 172,779</u>

Prices of goods sold to related parties are determined by mutual agreements and the credit term is 30~150 days after monthly billings. Services rendered to related parties are based on a cost-plus basis after negotiation.

B. Purchases

		For the years ended December 31,	
		2019	2018
Purchases of goods:			
Subsidiaries			
FORMFLEX CHANGSHU	\$	1,886,917	\$ -
ZIYONG TAICHANG		263,543	252,265
TONG SING		100,264	-
FORMFLEX		-	1,809,877
Others		62,939	99,769
Purchases of services (recorded as 'selling expenses'):			
Subsidiaries			
F.H.A		64,356	37,671
Associates			
ALLEGION		-	20,983
	\$	<u>2,378,019</u>	\$ <u>2,220,565</u>

Prices of goods purchased from related parties are based on mutual agreements and the payment term is 30~90 days after monthly billings. Prices and payment terms of services rendered by related parties are determined by mutual agreements.

C. Receivables from related parties

		December 31, 2019	December 31, 2018
Accounts receivable:			
Subsidiaries			
F.H.A	\$	30,237	\$ 47,761
Others		267	50
		<u>30,504</u>	<u>47,811</u>
Other receivables:			
Subsidiaries			
ZIYONG TAICHANG		18,166	21,032
F.H.A		6,035	5,206
FORMFLEX CHANGSHU		525	250
Others		811	1,017
	\$	<u>25,537</u>	\$ <u>27,505</u>

Other receivables - non-current (recorded as ‘other current financial assets - non-current’):
Subsidiaries

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries		
F.H.A	-	6,035
	<u>\$ 56,041</u>	<u>\$ 81,351</u>

The abovementioned other receivables mainly include:

- (a) Outstanding receivables arising from the sale of parts to related parties, which were not accounted for sales revenue when it occurred.
- (b) Receivables arising from services rendered by the Company.
- (c) Loans granted to the subsidiaries. Refer to ‘E. Loans to /from related parties’ for more details.

D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Subsidiaries		
FORMFLEX CHANGSHU	\$ 161,475	\$ -
TONG SING	44,084	-
FORMFLEX	-	381,612
Others	<u>24,949</u>	<u>27,244</u>
	<u>230,508</u>	<u>408,856</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other payables:		
Subsidiaries		
FORMFLEX CHANGSHU	89,673	-
F.H.A	13,023	17,488
Others	<u>554</u>	<u>6,877</u>
	<u>103,250</u>	<u>24,365</u>
	<u>\$ 333,758</u>	<u>\$ 433,221</u>

The abovementioned other payables mainly include:

- (a) Payables arising from services rendered by the related parties.
- (b) Outstanding payables arising from importing parts from related parties, which were not accounted for as purchases when it occurred.

E. Loans to /from related parties:

Loans to related parties:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Outstanding balance	Annual rate of interest	Interest income	Outstanding balance	Annual rate of interest	Interest income
Subsidiaries						
F.H.A	\$ 6,035.00	2.50%	\$ 213.00	\$ 10,561	2.50%	\$ 320
TONG SING	-	-	-	-	2.50%	802
	<u>\$ 6,035.00</u>		<u>\$ 213.00</u>	<u>\$ 10,561</u>		<u>\$ 1,122</u>

(a) In August 2017, the Company granted a loan of USD 500 thousand to the subsidiary - F.H.A.

The loan is repayable over three years, with USD 150 thousand to be paid at the expiration of the first and second year and USD 200 thousand to be paid at the expiration of the third year.

(b) In May, July and August 2018, the Company continually granted loans to the subsidiary - TONG SING Co., Ltd. accumulating to \$100 million. The loans were repaid in October 2018.

F. Financing for related parties

(a) For the year ended December 31, 2019, the Company participated in the cash capital increase raised by the subsidiary - Sunion Technology Co., Ltd., by investing \$29,000 and the registration was completed.

(b) For the year ended December 31, 2018, the Company participated in the cash capital increase raised by the subsidiary - TONG SING Co., Ltd., by investing \$200,000 and the registration was completed; there was no such event for the year ended December 31, 2019.

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 67,278	\$ 63,689
Post-employment benefits	594	975
	<u>\$ 67,872</u>	<u>\$ 64,664</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2019 and 2018, the unused letters of credit for importing raw materials and equipment amounted to \$21,431 and \$20,220, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of earnings for 2019 was resolved by the Board of Directors on March 9, 2020. Details are provided in Note 6(13).

12. OTHERS

(1) Capital management

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

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

The Company uses debt ratio to control capital. The Company's policy is to maintain a stable debt ratio as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Debt ratio	<u>33%</u>	<u>32%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 200,012
Financial assets held for trading	45	128
	<u>\$ 45</u>	<u>\$ 200,140</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 277,526</u>	<u>\$ 302,044</u>
Financial assets at amortised cost/		
Loans and receivables		
Cash and cash equivalents	\$ 798,952	\$ 594,683
Financial assets at amortised cost - current	162,780	103,072
Notes receivable	19,494	24,872
Accounts receivable (including related parties)	922,175	907,231
Other receivables - related parties	25,537	27,505
Other financial assets (current and non-current)	10,988	14,059
	<u>\$ 1,939,926</u>	<u>\$ 1,671,422</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ -	\$ 90
Accounts payable (including related parties)	543,819	708,763
Other accounts payable (including related parties)	466,714	318,239
	<u>\$ 1,010,533</u>	<u>\$ 1,027,092</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2019				
Foreign currency				
	amount		Exchange	Book value
	(In Thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 41,331	\$	29.98	\$ 1,239,103
RMB:NTD	25,850		4.29	110,897
AUD:NTD	654		21.01	13,744
<u>Non-monetary items</u>				
<u>Investments accounted for using equity method</u>				
USD:NTD	60,864		29.98	1,840,093
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	8,331		29.98	249,763
RMB:NTD	25,005		4.29	107,271

December 31, 2018				
Foreign currency				
	amount		Exchange	Book value
	(In Thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 34,294	\$	30.72	\$ 1,053,512
RMB:NTD	21,729		4.47	97,129
<u>Non-monetary items</u>				
<u>Investments accounted for using equity method</u>				
USD:NTD	56,397		30.72	1,744,583
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	17,445		30.72	535,910

- iv. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to (\$15,790) and \$31,025, respectively.

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

	For the year ended December 31, 2019			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 12,391	\$	-
RMB:NTD	1%	1,109		-
AUD:NTD	1%	137		-
<u>Non-monetary items</u>				
<u>Investments accounted for using equity method</u>				
USD:NTD	1%	-		18,401
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	2,498		-
RMB:NTD	1%	1,073		-

	For the year ended December 31, 2018			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 10,535	\$	-
RMB:NTD	1%	971		-
<u>Non-monetary items</u>				
<u>Investments accounted for using equity method</u>				
USD:NTD	1%	-		17,446
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	5,359		-

Price risk

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

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Company's treasury measures and control credit risk of deposits with banks, fixed investment income and other financial instruments. The Company's clients and performing parties are banks with good credit quality or financial institutions and companies with investment, thus, the possibility of default is remote and the credit risk is insignificant.
- iii. The Company manages their credit risk taking into consideration the entire group's concern. To maintain quality of accounts receivable, the Company has established procedures relating to credit risk management. Individual customers' risk assessment considers several factors that may influence the customers' ability to pay, such as the customer's financial position, historical transactions and current economic situation. Individual risk limits are set based on internal or external ratings in accordance with limits set by the sales department. The utilisation of credit limits is regularly monitored. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance to reduce credit risk of specific customers.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. As of December 31, 2019 and 2018, the Company assesses the default possibility of accounts receivable for its customers: The provision for not past due and up to 30 days past due was 0.01% and 0.1%, respectively; The provision for 31 to 360 days past due was 25% ~ 50%; And the provision for past due over a year was 100%. In addition, so far, the Company's balance of receivables past due over 31 days constitutes 0.16% of total receivables.

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

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

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

	2019
At January 1	\$ 580
Provision for impairment	1,435
Write-offs	-
At December 31	<u>\$ 2,015</u>
	2018
At January 1_IAS 39	\$ 1,494
Adjustment for retrospective application	-
At January 1_IFRS 9	1,494
Provision for impairment	386
Write-offs	(1,300)
At December 31	<u>\$ 580</u>

For provisioned loss in 2019 and 2018, the impairment losses arising from customer contracts are \$1,435 and \$386, respectively.

(c) Liquidity risk

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

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

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

	December 31, 2019			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Notes payable	-	-	-	-
Accounts payable (including related parties)	543,819	-	-	-
Other payables (including related parties)	466,714	-	-	-
<u>Derivative financial liabilities:</u> None				

	December 31, 2018			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Notes payable	90	-	-	-
Accounts payable (including current portion)	708,763	-	-	-
Other payables (including current portion)	318,239	-	-	-
<u>Derivative financial liabilities:</u> None				

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, other financial assets, notes payable, accounts payable and other payables are approximate to their fair values.

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

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

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

Liabilities:None

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

Liabilities:None

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

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

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

- ii. When assessing non-standard and low-complexity financial instruments, for example, forward exchange contract, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

- D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- E. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.
- F. The Company's treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 periodically, which is to evaluate and measure the fair value of financial instruments.
- G. The Company's equity securities for fair value measurements being categorised within Level 3 are investments in unlisted companies evaluated by net asset value method.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

14. SEGMENT INFORMATION

Not applicable.

Taiwan Fu Hsing Industrial Co., Ltd.

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD

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

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

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

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

- (1) For business relationship, the total amount shall not exceed 20% of the net assets value; the limit amount for single party shall not exceed the amount of transaction.
- (2) For short-term financing, the total amount shall not exceed 10% of the net assets value; the limit amount for single party shall not exceed 50% of the net assets value.

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

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

Taiwan Fu Hsing Industrial Co., Ltd.

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

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

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

Note : Same board chairman.

Taiwan Fu Hsing Industrial Co., Ltd.

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

For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

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

Taiwan Fu Hsing Industrial Co., Ltd.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note 1: The signing date of the contract ; it was transferred to the buildings and structures upon the receipt of use permit and the acceptance.

Note 2: Assessed according to the project progress and payments were made monthly by wire transfer.

Taiwan Fu Hsing Industrial Co., Ltd.

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

For the year ended December 31, 2019

Table 5

Expressed in thousands of NTD

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

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

Taiwan Fu Hsing Industrial Co., Ltd.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

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

Taiwan Fu Hsing Industrial Co., Ltd.
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD

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

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

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Taiwan Fu Hsing Industrial Co., Ltd.
Information on investees
For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD

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

Note 1: Unissued stocks.

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd.
Information on investments in Mainland China
For the year ended December 31, 2019

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formflex Material Industrial (Changshu) Ltd.	Sales and manufacture of architectural door and locks and related accessories	\$ 735,090	(2)	\$ 735,090	\$ -	\$ -	\$ 735,090	\$ 185,983	100	\$ 185,983	\$ 936,541	\$ 367,944	Note 2
Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories and furniture	512,839	(2)	520,957	-	-	520,957	52,448	100	52,448	700,689	346,665	Note 2
Fortress door control product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	90,750	(1)	90,750	-	-	90,750	5,492	100	5,455	84,698	-	Note 2
ChangShu Fortune Packing Material Co.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	(168)	51	(86)	9,341	-	Note 2
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	(7,102)	100	(7,102)	(48,530)	-	Note 2
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote									
Taiwan Fu Hsing Industrial Co., Ltd.	\$ 1,262,745	\$ 1,262,745	\$ 3,364,268	Note 3									
Fortress Industrial Co., Ltd.	90,750	90,750	374,553	Note 4									

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China; reinvest in Mainland China through MASTER UNITED INVESTMENT GROUP LTD., FORMFLEX ENTERPRISE CO., LTD., and FORTUNE INDUSTRIAL LTD.
- (3) Others: The Company invested in Arctek (Shanghai) International Trading Co., Ltd. not using its capital but through indirect investment where the earnings of Ziyong Hardware Products (Taicang) Co., Ltd., the Company's investee in Mainland China, were used to invest in Arctek (Shanghai) International Trading Co., Ltd.

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd.

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

For the year ended December 31, 2019

Table 10

Expressed in thousands of NTD

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash :		
Cash on hand and Petty cash		\$ 285
Bank deposits	Checking accounts	65
	Demand deposits - NTD	6,181
	Demand deposits - USD	9,408
	(USD \$314 thousand, exchange rate 29.98)	
	Demand deposits - RMB	475
	(RMB \$110 thousand, exchange rate 4.305)	
	Demand deposits - AUD	1
	(AUD \$38 thousand, exchange rate 21.005)	16,130
Cash equivalents:		
Time deposits	Time deposits - NTD, continually maturing before April 2020, interest rate 0.59% ~ 0.62%	512,700 266,522
	Time deposits - USD (USD \$8,890 thousand, exchange rate 29.98), continually maturing before February 2020, interest rate 1.58% ~ 2.00%	
	Time deposits - RMB (RMB \$770 thousand, exchange rate 4.305), continually maturing before March 2020, interest rate 2.15%	
		3,315
		782,537
		\$ 798,952

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST - CURRENT
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 2

Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Accumulated Impairment	Note
Time deposits - foreign currency	RMB \$22,295 thousand, exchange rate 4.305 Maturity date: January 2020	2	95,981	95,981	2.75%~3.60%	\$ 95,981	\$ -	
Time deposits - foreign currency	USD \$2,030 thousand, exchange rate 29.98 Maturity date: June 2020	1	60,859	60,859	2.20%	60,859	-	
Time deposits - NTD	Maturity date: June 2020 ~ September 2020	2	5,940	5,940	1.030%	5,940	-	
						<u>\$ 162,780</u>	<u>\$ -</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer C	Sales revenue	\$ 295,195	
Customer B	Sales revenue	269,747	
Customer F	Sales revenue	57,428	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>271,316</u>	
		893,686	
Less: Allowance for bad debts		(<u>2,015</u>)	
		<u>\$ 891,671</u>	
Related parties:			
FU HSING AMERICAS INC.	Sales revenue	\$ 30,237	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>267</u>	
		<u>\$ 30,504</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 4

		<u>Amount</u>		
		<u>Net Realisable</u>		
<u>Item</u>	<u>Description</u>	<u>Cost</u>	<u>Value</u>	<u>Note</u>
Raw materials		\$ 30,228	\$ 28,461	The lower of cost and net realisable value
Work in progress		237,400	219,275	
Finished goods		<u>193,227</u>	<u>209,646</u>	
		460,855	<u>\$ 457,382</u>	
Less: Allowance for inventory valuation and				
	obsolete and slow-moving inventories losses (	<u>42,160</u>)		
		<u>\$ 418,695</u>		

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OTHER CURRENT ASSETS, OTHERS

DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 5

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Receivables from business tax refund		\$ 26,729	
Office supplies		14,084	
Others		<u>16,040</u>	
		<u>\$ 56,853</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 6

Name	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated		
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	impairment	Collateral	Note
Listed stocks:											
Fine Blanking & Tool Co., Ltd.	7,552,867	\$ 235,272	-	\$ -	-	(\$ 25,680)	7,552,867	\$ 209,592	Not applicable	None	
Min Aik Precision Industrial Co., Ltd.	2,112,000	52,272	-	1,162	-	-	2,112,000	53,434	"	None	
Unlisted stocks:											
NCKU Venture Capital Co., Ltd.	1,300,000	6,500	-	-	-	-	1,300,000	6,500	"	None	
Sunsino Development Associate Inc.	833,406	7,000	-	-	-	-	833,406	7,000	"	None	
BENJHOU TECHNOLOGY CO., LTD	100,000	1,000	-	-	-	-	100,000	1,000	"	None	
Nailermate Enterprise Corp.	217,050	-	-	-	-	(171,078)	45,972	-	"	None	Preferred shares
Saint Pin Technology Co., Ltd.	251,835	-	-	-	-	-	251,835	-	"	None	
Shing Bee Enterprise Co., Ltd.	511,928	-	-	-	-	-	511,928	-	"	None	
Tsu Yung Enterprise Co., Ltd.	400,000	-	-	-	-	-	400,000	-	"	None	
Ofis International Co., Ltd.	720,000	-	-	-	-	-	720,000	-	"	None	
Hwa Nan Co., Ltd.	85,891	-	-	-	-	-	85,891	-	"	None	
MAP TECHNOLOGY HOLDINGS LIMITED	7,853,941	-	-	-	-	-	7,853,941	-	"	None	
Melten Connected Healthcare Inc.	1,111,111	-	-	-	-	-	1,111,111	-	"	None	
		<u>\$ 302,044</u>		<u>\$ 1,162</u>		<u>(\$ 25,680)</u>		<u>\$ 277,526</u>			

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 7

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral
Subsidiaries:												
FORMFLEX ENTERPRISE CO., LTD.	23,704,000	\$ 922,972	-	\$ 148,268	-	(\$ 90,078)	23,704,000	100%	\$ 981,162	41	\$ 982,829	None
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	700,231	-	23,445	-	-	1,560,000	100%	723,676	449	700,722	None
TONG SING CO., LTD.	70,000,000	694,595	-	-	-	(51,349)	70,000,000	100%	643,246	9	643,246	None
FORTRESS INDUSTRIAL CO., LTD.	33,000,000	614,971	-	80,302	-	(72,600)	33,000,000	100%	622,673	19	624,255	None
HUNDURE TECHNOLOGY CO., LTD.	4,216,179	149,332	843,236	11,571	-	-	5,059,415	51%	160,903	18	89,920	None
ARCTEK INDUSTRIAL CO., LTD.	5,838	132,097	-	9,119	-	-	5,838	70%	141,216	16,476	96,187	None
FU HSING AMERICAS INC.	300,000	114,409	-	16,203	-	-	300,000	100%	130,612	455	136,519	None
SUNION TECHNOLOGY CO., LTD. (Note 1)	-	-	2,900,000	29,000	-	(1,385)	2,900,000	100%	27,615	10	27,615	None
ARCTEK TECHNOLOGY LIMITED (Note 2)	10,000	224	-	-	-	(10,000) (224)	-	-	-	-	-	None
Associates:												
ALLEGION FU HSING LIMITED	-	6,747	-	-	-	(2,104)	-	49%	4,643	-	4,643	None
		3,335,578		317,908		(217,740)			3,435,746		<u>\$ 3,305,936</u>	
Accumulated impairment		(116,215)		-		-			(116,215)			
		<u>\$ 3,219,363</u>		<u>\$ 317,908</u>		<u>(\$ 217,740)</u>			<u>\$ 3,319,531</u>			

Note 1: The investee was approved to establish and register on August 16, 2019.

Note 2: The investee was approved to cancel its registration on October 23, 2019.

TAIWAN FU HSING INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Tsu Yung Enterprise Co., Ltd.	Purchases and outsource	\$ 32,598	
Litai Color Printing Enterprises Co., Ltd.		24,032	
Others (balance of each vendor has not exceeded 5% of total account balance)	Purchases and outsource	<u>256,681</u>	
		<u>\$ 313,311</u>	
Related parties:			
Formflex Metal Industrial (Changshu) Co., Ltd.	Purchases	\$ 161,475	
Tong Sing Co., Ltd.	Purchases	44,084	
Ziyong Hardware Products (Taichang) Co., Ltd.	Purchases	17,170	
Others (balance of each vendor has not exceeded 5% of total account balance)		<u>7,779</u>	
		<u>\$ 230,508</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Metalwork doors	43,650 thousand pieces	\$ 6,160,086	
Less: Sales returns and discounts		(40,826)	
Net sales revenue		6,119,260	
Other service revenue		33,849	
		<u>\$ 6,153,109</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Amount		Note
	Subtotal	Total	
Beginning raw materials		\$ 19,456	
Add: Raw materials purchased	\$ 2,237,546		
Loss on physical inventory for raw materials	1		
Less: Raw materials reclassified as expenses	(159)	2,237,388	
Ending raw materials		(30,228)	
Raw materials used		2,226,616	
Direct labour		387,648	
Manufacturing expense		656,302	
Manufacturing cost		3,270,566	
Beginning work in progress		176,431	
Less: Work in progress reclassified as expenses		(1,639)	
Ending work in progress		(237,400)	
Cost of finished goods		3,207,958	
Beginning finished goods		142,805	
Less: Finished goods reclassified as expenses		(4,556)	
Ending finished goods		(193,227)	
Cost of goods sold from finished goods		3,152,980	
Cost of goods sold from purchase		1,858,956	
Cost of goods sold from molds		2,650	
Add: Allowance for inventory valuation and obsolete and slow-moving inventories losses		7,500	
Less: Revenue from sale of scraps		(78,695)	
		<u>\$ 4,943,391</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 11

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 282,584	
Indirect labor		105,200	
Repairs and maintenance expense		57,488	
Depreciation		45,649	
Utilities expense		34,072	
Other expenses	Balance of individual accounts has not	131,309	
	exceeded 5% of total account balance		
		<u>\$ 656,302</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.

STATEMENT OF SELLING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commissions expense		\$ 67,317	
Wages and salaries		49,140	
Export expense		23,875	
Freight		9,967	
Others expenses	Balance of individual accounts has not exceeded 5% of total account balance	31,743	
		<u>\$ 182,042</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 124,094	
Directors' remuneration		15,373	
Professional service fees		12,659	
Other expenses	Balance of individual accounts has not	78,864	
	exceeded 5% of total account balance		
		<u>\$ 230,990</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 65,157	
Research and development expenses		8,512	
Labour and health insurance fees		6,075	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	15,371	
		<u>\$ 95,115</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.

STATEMENT OF FINANCE COST

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		<u>\$ 8</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

SUMMARIZED BY FUNCTION

(Expressed in thousands of New Taiwan dollars)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 16

Function Nature	Year ended December 31, 2019			Year ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense (Note)	\$ 523,614	\$ 292,240	\$ 815,854	\$ 430,661	\$ 270,965	\$ 701,626
Wages and salaries	448,765	238,391	687,156	364,019	219,126	583,145
Labour and health insurance fees	40,926	19,015	59,941	35,335	17,461	52,796
Pension costs	18,011	7,589	25,600	17,278	8,245	25,523
Directors' remuneration	-	15,373	15,373	-	14,218	14,218
Other personnel expenses	15,912	11,872	27,784	14,029	11,915	25,944
Depreciation expense	45,649	8,873	54,522	41,479	8,538	50,017
Amortisation expense	379	2,952	3,331	179	2,894	3,073

Note:

A. As at December 31, 2019 and 2018, the Company had 1,181 and 1,075 employees, respectively, including 3 non-employee directors for the both years.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:

(a) Average employee benefit expense in current year was \$680 ((Total employee benefit expense in current year – Total directors' remuneration in current year) / (Number of employees in current year – Number of non-employee directors in current year)).

Average employee benefit expense in previous year was \$641 ((Total employee benefit expense in previous year – Total directors' remuneration in previous year) / (Number of employees in previous year – Number of non-employee directors in previous year)).

(b) Average employees salaries in current year were \$583 (Total employee salaries in current year / (Number of employees in current year – Number of non-employee directors in current year)).

Average employees salaries in previous year were \$544 (Total employee salaries in previous year / (Number of employees in previous year – Number of non-employee directors in previous year)).

(c) Adjustments of average employees salaries were 7% ((Average employee salaries in current year- Average employee salaries in previous year) / Average employee salaries in previous year).