

**TAIWAN FU HSING INDUSTRIAL CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22100385

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Taiwan Fu Hsing Industrial Co., Ltd. (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021 and 2020, 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. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements 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 export sales revenue for a certain period around balance sheet date, verified corroboration of sales revenue recognition, assessed the timing of revenue recognition based on trade terms to ensure the appropriateness of sales revenue recognition.

## **Allowance for inventory valuation losses**

### Description

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

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

### How our audit addressed the matter

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

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

### ***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$42,729 thousand and NT\$227,958 thousand, constituting 1% and 3% of the total assets as at December 31, 2021 and 2020, respectively, and the comprehensive income recognised from associates and joint ventures accounted for under the equity method amounted to NT\$11,079 thousand and NT\$12,828 thousand, constituting 2% and 1% of the total comprehensive income for the years then ended, respectively.

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

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

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

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

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

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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Wang, Kuo-Hua

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Wu, Chien-Chih

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

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

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020

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

Assets		Notes	December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,047,201	14	\$	466,878	6
1110	Financial assets at fair value through profit or loss - current	6(2)		42,376	-		545,353	7
1136	Current financial assets at amortised cost	6(3) and 8		64,094	1		133,677	2
1150	Notes receivable, net	6(4)		26,966	-		17,952	-
1170	Accounts receivable, net	6(4)		1,089,812	14		1,124,989	15
1180	Accounts receivable - related parties	6(4) and 7		48,449	1		71,684	1
1210	Other receivables - related parties	7		881	-		17,020	-
130X	Inventories	5 and 6(5)		684,723	9		418,309	6
1476	Other current financial assets			203	-		2,712	-
1479	Other current assets, others			58,057	1		47,600	1
11XX	Current Assets			3,062,762	40		2,846,174	38
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(6)		382,952	5		322,602	4
1550	Investments accounted for under equity method	6(7)		3,248,697	43		3,490,072	46
1600	Property, plant and equipment	6(8)		816,269	11		800,059	11
1780	Intangible assets			1,568	-		3,581	-
1840	Deferred income tax assets	6(21)		50,800	1		56,929	1
1980	Other non-current financial assets			10,919	-		8,666	-
1990	Other non-current assets, others			2,269	-		6,846	-
15XX	Non-current assets			4,513,474	60		4,688,755	62
1XXX	Total assets		\$	7,576,236	100	\$	7,534,929	100

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TAIWAN FU HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020

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

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ -	-	\$ 113	-
2170	Accounts payable		439,087	6	365,408	5
2180	Accounts payable - related parties	7	380,775	5	464,745	6
2200	Other payables	6(9)	354,687	4	429,479	6
2220	Other payables - related parties	7	55,557	1	35,300	1
2230	Current income tax liabilities		58,867	1	105,480	1
2399	Other current liabilities, others		22,032	-	14,912	-
21XX	Current Liabilities		1,311,005	17	1,415,437	19
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	134,761	2	170,987	2
2640	Accrued pension liabilities	6(10)	76,960	1	106,979	1
25XX	Non-current liabilities		211,721	3	277,966	3
2XXX	Total Liabilities		1,522,726	20	1,693,403	22
Equity						
Share capital						
3110	Share capital - common stock	6(11)	1,884,521	25	1,884,521	25
Capital surplus						
3200	Capital surplus	6(12)	567,114	7	567,114	8
Retained earnings						
3310	Legal reserve	6(13)	1,199,351	16	1,117,684	15
3320	Special reserve		207,950	3	262,532	4
3350	Unappropriated retained earnings		2,388,090	32	2,217,625	29
Other equity interest						
3400	Other equity interest		( 193,516)	( 3)	( 207,950)	( 3)
3XXX	Total equity		6,053,510	80	5,841,526	78
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 7,576,236	100	\$ 7,534,929	100

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15) and 7	\$	6,664,013	100	\$ 6,496,926	100
5000 Operating costs	6(5)(10)(19)(20) and 7	(	5,592,362)	( 84)	( 5,140,561)	( 79)
5900 Net operating margin			1,071,651	16	1,356,365	21
Operating expenses	6(10)(19)(20) and 7					
6100 Selling expenses		(	153,398)	( 2)	( 183,249)	( 3)
6200 General and administrative expenses		(	232,624)	( 4)	( 242,536)	( 4)
6300 Research and development expenses		(	97,684)	( 1)	( 102,764)	( 2)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		226	-	130	-
6000 Total operating expenses		(	483,480)	( 7)	( 528,419)	( 9)
6900 Operating profit			588,171	9	827,946	12
Non-operating income and expenses						
7100 Interest income	6(16) and 7		4,736	-	6,193	-
7010 Other income	6(17)		118,298	2	18,194	-
7020 Other gains and losses	6(18)		41,503	-	54,450)	( 1)
7050 Finance costs		(	500)	-	( 81)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net			49,001	1	223,970	4
7000 Total non-operating income and expenses			213,038	3	193,826	3
7900 Profit before income tax			801,209	12	1,021,772	15
7950 Income tax expense	6(21)	(	133,730)	( 2)	( 197,933)	( 3)
8200 Profit for the year		\$	667,479	10	\$ 823,839	12
<b>Other comprehensive income</b>						
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>						
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(10)	\$	21,099	-	( \$ 12,432)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(6)(14)		30,199	1	44,811	1
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss			2,909	-	1,971	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(	4,220)	-	( 2,486)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss			49,987	1	36,836	1
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361 Other comprehensive loss, before tax, exchange differences on translation	6(14)	(	52,126)	( 1)	( 100,252)	( 2)
8380 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			36,620	1	110,830	2
8360 Components of other comprehensive income that will be reclassified to profit or loss		(	15,506)	-	( 10,578)	-
8300 Other comprehensive income for the year		\$	34,481	1	\$ 47,414	1
8500 Total comprehensive income for the year		\$	701,960	11	\$ 871,253	13
<b>Basic earnings per share</b>						
9750 Total basic earnings per share	6(22)	\$	3.54		\$ 4.37	
9850 Total diluted earnings per share		\$	3.46		\$ 4.26	

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Other equity interest		Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2020</u>									
Balance at January 2020		\$ 1,884,521	\$ 567,114	\$ 1,035,700	\$ 161,211	\$ 2,074,235	(\$ 223,392 )	(\$ 39,140 )	\$ 5,460,249
Net income for 2020		-	-	-	-	823,839	-	-	823,839
Other comprehensive (loss) income for 2020	6(6)(14)	-	-	-	-	( 7,975 )	10,578	44,811	47,414
Total comprehensive income		-	-	-	-	815,864	10,578	44,811	871,253
Distribution of 2019 earnings:									
Legal reserve		-	-	81,984	-	( 81,984 )	-	-	-
Special reserve		-	-	-	101,321	( 101,321 )	-	-	-
Cash dividends	6(13)	-	-	-	-	( 489,976 )	-	-	( 489,976 )
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(6)(14)	-	-	-	-	807	-	( 807 )	-
Balance at December 31, 2020		\$ 1,884,521	\$ 567,114	\$ 1,117,684	\$ 262,532	\$ 2,217,625	(\$ 212,814 )	\$ 4,864	\$ 5,841,526
<u>2021</u>									
Balance at January 2021		\$ 1,884,521	\$ 567,114	\$ 1,117,684	\$ 262,532	\$ 2,217,625	(\$ 212,814 )	\$ 4,864	\$ 5,841,526
Net income for 2021		-	-	-	-	667,479	-	-	667,479
Other comprehensive (loss) income for 2021	6(6)(14)	-	-	-	-	19,788	( 15,506 )	30,199	34,481
Total comprehensive income (loss)		-	-	-	-	687,267	( 15,506 )	30,199	701,960
Distribution of 2020 earnings:									
Legal reserve		-	-	81,667	-	( 81,667 )	-	-	-
Special reserve		-	-	-	( 54,582 )	54,582	-	-	-
Cash dividends	6(13)	-	-	-	-	( 489,976 )	-	-	( 489,976 )
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(6)(14)	-	-	-	-	259	-	( 259 )	-
Balance at December 31, 2021		\$ 1,884,521	\$ 567,114	\$ 1,199,351	\$ 207,950	\$ 2,388,090	(\$ 228,320 )	\$ 34,804	\$ 6,053,510

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31,	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 801,209	\$ 1,021,772
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	( 226 )	( 130 )
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(18)	595	( 8,781 )
Depreciation expense	6(8)(19)	57,632	56,081
Amortization expense	6(19)	4,758	6,476
Share of profit or loss of associates and joint ventures accounted for using equity method		( 49,001 )	( 223,970 )
Dividend income	6(17)	( 13,285 )	( 10,477 )
Interest income	6(16)	( 4,736 )	( 6,193 )
Interest expense		500	81
Gain on disposal of investments	6(18)	( 65,265 )	( 1,574 )
Loss on disposal of property, plant and equipment	6(18)	-	221
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		503,656	( 535,760 )
Notes receivable		( 9,014 )	1,542
Accounts receivable		35,403	( 233,188 )
Accounts receivable - related parties		23,235	( 41,180 )
Other receivables - related parties		16,139	2,482
Inventories		( 266,414 )	386
Other financial assets - current		2,233	( 1,896 )
Other current assets - others		( 10,457 )	9,253
Other non-current assets - others		-	( 116 )
Changes in operating liabilities			
Notes payable		( 113 )	113
Accounts payable		73,679	52,097
Accounts payable - related parties		( 83,970 )	234,237
Other payables		( 76,142 )	67,166
Other payables - related parties		20,257	( 67,950 )
Other current liabilities - others		7,120	( 2,306 )
Net defined benefit liability, non-current		( 8,920 )	( 7,537 )
Cash inflow generated from operations		958,873	310,849
Dividends received		175,781	199,894
Interest received		5,012	8,075
Interest paid		( 500 )	( 81 )
Income tax paid		( 214,660 )	( 198,340 )
Net cash flows from operating activities		924,506	320,397

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TAIWAN FU HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31,	
	Notes	2021	2020
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in other receivables due from related parties	7	\$ -	\$ 6,035
Acquisition of financial assets at amortised cost		( 182,838 )	( 363,139 )
Proceeds from disposal of financial assets at amortised cost		252,421	392,242
Acquisition of financial assets at fair value through other comprehensive income		( 13,093 )	( 41,671 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,263	40,407
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	1,000
Acquisition of investments accounted for using equity method		-	( 123,562 )
Proceeds from disposal of investments accounted for using equity method		160,953	-
Refunds for liquidation of investments using the equity method		-	2,246
Acquisition of property, plant and equipment	6(23)	( 27,886 )	( 50,604 )
Increase in prepaid equipment		( 42,095 )	( 19,917 )
Proceeds from disposal of property, plant and equipment		-	54
Acquisition of intangible assets		( 679 )	( 5,210 )
Increase in other financial assets - non- current		( 2,253 )	( 376 )
Net cash flows from (used in) investing activities		145,793	( 162,495 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Cash dividends paid	6(13)	( 489,976 )	( 489,976 )
Net cash flows used in financing activities		( 489,976 )	( 489,976 )
Net increase (decrease) in cash and cash equivalents		580,323	( 332,074 )
Cash and cash equivalents at beginning of year	6(1)	466,878	798,952
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,047,201</u>	<u>\$ 466,878</u>

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

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

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

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 9, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

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 2022 are as follows:

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the 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 currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.



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

#### B. Translation of foreign operations

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

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

#### (4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;

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

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Inventories

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

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

- A. Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financials and operating policies. In general, it is presumed that the parent has the power to govern the financials and operating policies, if a parent holds, directly or indirectly, more than half of the voting power of an entity. Investments in subsidiaries are accounted for under the equity method in these parent company only financial statements.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. When the Company loses control over its subsidiary, the remaining investment in the former subsidiary was remeasured at fair value, and the difference between the fair value and the carrying amount was recognised in profit or loss for the period. The amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.

- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

(15) 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 recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(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' remuneration

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



(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, 2020, the carrying amount of inventories was \$684,723.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand and petty cash	\$ 281	\$ 283
Checking and demand deposits	<u>55,406</u>	<u>45,173</u>
	55,687	45,456
Cash equivalents:		
Time deposits	<u>991,514</u>	<u>421,422</u>
	<u>\$ 1,047,201</u>	<u>\$ 466,878</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, 2021	December 31, 2020
Financial assets mandatorily measured at fair value		
Listed (TSE and OTC) stocks	\$ 27,082	\$ -
Beneficiary certificates	14,275	544,274
	41,357	544,274
Valuation adjustment	1,019	1,079
	<u>\$ 42,376</u>	<u>\$ 545,353</u>

- A. The information on financial assets at fair value through profit or loss recognised in net gains and losses is provided in Note 6(18).
- B. The Company has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to credit risk of financial asset at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Restricted bank deposits	\$ 2,491	\$ -
Time deposits with original maturity date	61,603	133,677
	<u>\$ 64,094</u>	<u>\$ 133,677</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, 2021 and 2020, 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 \$64,094 and \$133,677, respectively.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 26,966	\$ 17,952
Less: Allowance for bad debts	-	-
	<u>\$ 26,966</u>	<u>\$ 17,952</u>
Accounts receivable	\$ 1,091,471	\$ 1,126,874
Less: Allowance for bad debts	( 1,659)	( 1,885)
	<u>\$ 1,089,812</u>	<u>\$ 1,124,989</u>
Accounts receivable - related parties	<u>\$ 48,449</u>	<u>\$ 71,684</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 26,966	\$ 1,096,145	\$ 17,952	\$ 1,144,607
Past due				
Up to 30 days	-	40,972	-	51,588
31 to 60 days	-	1,711	-	33
61 to 90 days	-	-	-	95
91 to 180 days	-	52	-	168
181 to 360 days	-	-	-	1,814
Over 360 days	-	1,040	-	253
	<u>\$ 26,966</u>	<u>\$ 1,139,920</u>	<u>\$ 17,952</u>	<u>\$ 1,198,558</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$943,684.
- C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$1,165,227 and \$1,214,625, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

December 31, 2021			
	Cost	Allowance	Book value
Raw materials	\$ 44,769	(\$ 1,922)	\$ 42,847
Work in process	332,799	( 87,147)	245,652
Finished goods	396,715	( 491)	396,224
	<u>\$ 774,283</u>	<u>(\$ 89,560)</u>	<u>\$ 684,723</u>
December 31, 2020			
	Cost	Allowance	Book value
Raw materials	\$ 27,441	(\$ 2,789)	\$ 24,652
Work in process	244,836	( 48,226)	196,610
Finished goods	201,599	( 4,552)	197,047
	<u>\$ 473,876</u>	<u>(\$ 55,567)</u>	<u>\$ 418,309</u>

The cost of inventories recognised as expense for the years ended December 31, 2021 and 2020 was \$5,592,362 and \$5,140,561, respectively, including the amount of \$33,993 and \$13,407, respectively, of cost of sales recognised for writing down the inventory cost to net realisable value in 2021 and 2020.

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

Item	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed (TSE and OTC) stocks	\$ 267,547	\$ 255,458
Unlisted stocks	<u>80,602</u>	<u>62,280</u>
	348,149	317,738
Valuation adjustment	<u>34,803</u>	<u>4,864</u>
	<u>\$ 382,952</u>	<u>\$ 322,602</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 \$382,952 and \$322,602 as at December 31, 2021 and 2020, 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,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>30,199</u>	\$ <u>44,811</u>
Cumulative losses reclassified to retained earnings due to derecognition	(\$ <u>259</u> )	(\$ <u>807</u> )
Dividend income recognised in profit or loss		
Held at end of year	\$ 10,873	\$ 8,755
Derecognised during the year	<u>-</u>	<u>958</u>
	<u>\$ 10,873</u>	<u>\$ 9,713</u>

C. As at December 31, 2021 and 2020, 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 \$382,952 and \$322,602, 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, 2021</u>		<u>December 31, 2020</u>	
	<u>Carrying amount</u>	<u>Percentage of ownership</u>	<u>Carrying amount</u>	<u>Percentage of ownership</u>
Subsidiaries:				
FORMFLEX ENTERPRISE CO., LTD.	\$ 861,712	100%	\$ 956,618	100%
MASTER UNITED INVESTMENT GROUP LTD.	670,581	100%	763,251	100%
TECHFORM INDUSTRIAL CO., LTD.	780,061	100%	745,178	100%
FORTRESS INDUSTRIAL CO., LTD.	678,144	100%	667,297	100%
FU HSING AMERICAS INC.	130,995	100%	129,770	100%
ARCTEK INDUSTRIAL CO., LTD.	129,688	70%	126,444	70%
SUNION TECHNOLOGY CO., LTD.	42,749	100%	31,670	100%
HUNDURE TECHNOLOGY CO., LTD.	-	-	186,059	64%
	3,293,930		3,606,287	
Less: Accumulated impairment	( 45,233)		( 116,215)	
	<u>\$ 3,248,697</u>		<u>\$ 3,490,072</u>	

A. Subsidiaries

- (a) Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information relating to the subsidiaries of the Company.
- (b) On August 4, 2021, the Company sold 54% of shares in the subsidiary- Hundure Technology Co., Ltd. ("Hundure Technology"). Therefore, the Company lost control over the subsidiary and recognised the remaining investment in the former subsidiary (shown as non-current financial assets at fair value through other comprehensive income) at the fair value of the financial assets where the Company lost control. The Company recognised gain on disposal of investment in the amount of \$63,996, please refer to Note 6(18).
- (c) During the period from May to September 2020, the Company acquired an additional 12.51% of shares of its subsidiary - Hundure Technology Co., Ltd. for a total cash consideration of \$23,562.

B. Associates

- (a) The Company's investment accounted for using equity method - ALLEGION FU HSING LIMITED was liquidated on September 25, 2020.
- (b) The Company's share of the operating results loss in all individually immaterial associates amounted to \$2,270 for the year ended December 31, 2020. No such issue for the year ended December 31, 2021.



(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>January 1, 2021</u>							
Cost	\$ 551,945	\$ 219,160	\$ 203,379	\$ 55,393	\$ 55,111	\$ 17,601	\$ 1,102,589
Accumulated depreciation and impairment	-	( 159,236)	( 84,281)	( 30,323)	( 28,690)	-	( 302,530)
	<u>\$ 551,945</u>	<u>\$ 59,924</u>	<u>\$ 119,098</u>	<u>\$ 25,070</u>	<u>\$ 26,421</u>	<u>\$ 17,601</u>	<u>\$ 800,059</u>
<u>2021</u>							
Opening net book amount as at January 1	\$ 551,945	\$ 59,924	\$ 119,098	\$ 25,070	\$ 26,421	\$ 17,601	\$ 800,059
Additions	-	-	1,005	13,933	3,406	10,892	29,236
Prepayment for equipment transferred	-	-	50,574	13,682	2,421	( 22,071)	44,606
Disposals - cost	-	-	( 10,465)	( 22,005)	( 17,494)	-	( 49,964)
Depreciation charge	-	( 5,871)	( 25,572)	( 18,129)	( 8,060)	-	( 57,632)
Disposals - accumulated depreciation	-	-	10,465	22,005	17,494	-	49,964
Closing net book amount as at December 31, 2021	<u>\$ 551,945</u>	<u>\$ 54,053</u>	<u>\$ 145,105</u>	<u>\$ 34,556</u>	<u>\$ 24,188</u>	<u>\$ 6,422</u>	<u>\$ 816,269</u>
<u>At December 31, 2021</u>							
Cost	\$ 551,945	\$ 219,160	\$ 244,493	\$ 61,003	\$ 43,444	\$ 6,422	\$ 1,126,467
Accumulated depreciation and impairment	-	( 165,107)	( 99,388)	( 26,447)	( 19,256)	-	( 310,198)
	<u>\$ 551,945</u>	<u>\$ 54,053</u>	<u>\$ 145,105</u>	<u>\$ 34,556</u>	<u>\$ 24,188</u>	<u>\$ 6,422</u>	<u>\$ 816,269</u>

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>January 1, 2020</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>
<u>2020</u>							
Opening net book amount as at January 1	\$ 551,945	\$ 66,812	\$ 114,286	\$ 28,033	\$ 20,437	\$ 10,409	\$ 791,922
Additions	-	-	2,460	9,248	14,192	22,234	48,134
Prepayment for equipment transferred	-	-	24,070	6,346	985	( 15,042)	16,359
Disposals - cost	-	( 468)	( 11,841)	( 33,878)	( 12,471)	-	( 58,658)
Depreciation charge	-	( 6,694)	( 21,718)	( 18,556)	( 9,113)	-	( 56,081)
Disposals - accumulated depreciation	-	274	11,841	33,877	12,391	-	58,383
Closing net book amount as at December 31, 2020	<u>\$ 551,945</u>	<u>\$ 59,924</u>	<u>\$ 119,098</u>	<u>\$ 25,070</u>	<u>\$ 26,421</u>	<u>\$ 17,601</u>	<u>\$ 800,059</u>
<u>At December 31, 2020</u>							
Cost	\$ 551,945	\$ 219,160	\$ 203,379	\$ 55,393	\$ 55,111	\$ 17,601	\$ 1,102,589
Accumulated depreciation and impairment	-	( 159,236)	( 84,281)	( 30,323)	( 28,690)	-	( 302,530)
	<u>\$ 551,945</u>	<u>\$ 59,924</u>	<u>\$ 119,098</u>	<u>\$ 25,070</u>	<u>\$ 26,421</u>	<u>\$ 17,601</u>	<u>\$ 800,059</u>

A. No borrowing costs was capitalised for the years ended December 31, 2021 and 2020.

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, 2021</u>	<u>December 31, 2020</u>
Salaries and bonus	\$ 225,225	\$ 270,667
Refund liabilities	59,751	88,917
Directors' remuneration	14,100	18,316
Labour and health insurance fees	14,326	12,241
Others	41,285	39,338
	<u>\$ 354,687</u>	<u>\$ 429,479</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, 2021</u>	<u>December 31, 2020</u>
Present value of funded obligations	\$ 369,134	\$ 384,401
Fair value of plan assets	( 292,174)	( 277,422)
Net defined benefit liability	<u>\$ 76,960</u>	<u>\$ 106,979</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, 2021</u>			
Balance at January 1	\$ 384,401	(\$ 277,422)	\$ 106,979
Current service cost	2,465	-	2,465
Interest expense (income)	1,153	( 832)	321
	<u>388,019</u>	<u>( 278,254)</u>	<u>109,765</u>
Remeasurements:			
Return on plan assets	-	( 4,172)	( 4,172)
Change in population assumptions	228	-	228
Change in financial assumptions	( 10,094)	-	( 10,094)
Experience adjustments	( 7,061)	-	( 7,061)
	<u>( 16,927)</u>	<u>( 4,172)</u>	<u>( 21,099)</u>
Pension fund contribution	-	( 11,706)	( 11,706)
Paid pension	( 1,958)	1,958	-
Balance at December 31	<u>\$ 369,134</u>	<u>(\$ 292,174)</u>	<u>\$ 76,960</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 364,837	(\$ 262,753)	\$ 102,084
Current service cost	3,215	-	3,215
Interest expense (income)	2,554	( 1,839)	715
	<u>370,606</u>	<u>( 264,592)</u>	<u>106,014</u>
Remeasurements:			
Return on plan assets	-	( 10,266)	( 10,266)
Change in financial assumptions	10,987	-	10,987
Experience adjustments	11,711	-	11,711
	<u>22,698</u>	<u>( 10,266)</u>	<u>12,432</u>
Pension fund contribution	-	( 11,467)	( 11,467)
Paid pension	( 8,903)	8,903	-
Balance at December 31	<u>\$ 384,401</u>	<u>(\$ 277,422)</u>	<u>\$ 106,979</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 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,	
	2021	2020
Discount rate	0.70%	0.30%
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, 2021	(\$ 5,908)	\$ 6,105	\$ 5,226	(\$ 5,091)
December 31, 2020	(\$ 6,938)	\$ 7,184	\$ 6,195	(\$ 6,025)

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, 2022 amount to \$11,673.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	96,688
Within 2 years		28,572
Within 3 years		28,170
Within 4 years		22,366
Within 5 years		24,394
Within 6 to 10 years		82,799
	\$	<u>282,989</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company 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, 2021 and 2020 were \$26,597 and \$22,596, respectively.

(11) Share capital

A. As of December 31, 2021 and 2020, the Company’s authorised capital was \$2,424,000, consisting of 242,400 thousand shares of common stock (of which 10 million shares are reserved for the issuance of stock warrants and preferred shares with stock warrants and corporate bonds with stock warrants), at a par value of \$10 (in dollars) per share. One share has a voting right, and total shares issued are 188,452 thousand shares.

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

(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, 2021 and 2020 were both \$48,991.

D. On July 2, 2021 and May 28, 2020, the shareholders resolved that distribution of dividends for ordinary shares and total dividends were both \$2.6 (in dollars) per share and both amounted to \$489,976. On March 9, 2022, the Board of Directors proposed to distribute dividends of NT\$2.4 (in dollars) per share totaling \$452,285.

(14) Other equity items

	2021		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 212,814)	\$ 4,864	(\$ 207,950)
Revaluation	-	30,199	30,199
Revaluation transferred to retained earnings - gross		( 259)	( 259)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	( 52,126)	-	( 52,126)
— Exchange differences on translation of shares of investments accounted for under the equity method	36,620	-	36,620
At December 31	<u>(\$ 228,320)</u>	<u>\$ 34,804</u>	<u>(\$ 193,516)</u>
	2020		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 223,392)	(\$ 39,140)	(\$ 262,532)
Revaluation	-	44,811	44,811
Revaluation transferred to retained earnings - gross		( 807)	( 807)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	( 100,252)	-	( 100,252)
— Exchange differences on translation of shares of investments accounted for under the equity method	110,830	-	110,830
At December 31	<u>(\$ 212,814)</u>	<u>\$ 4,864</u>	<u>(\$ 207,950)</u>



(15) Operating revenue

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

<u>2021</u>	<u>Goods</u>	<u>Services</u>	<u>Total</u>
US	\$ 5,969,135	-	\$ 5,969,135
Asia	427,619	11,132	438,751
Europe	1,275	-	1,275
Other	254,852	-	254,852
	<u>\$ 6,652,881</u>	<u>\$ 11,132</u>	<u>\$ 6,664,013</u>
<u>2020</u>	<u>Goods</u>	<u>Services</u>	<u>Total</u>
US	\$ 5,865,950	-	\$ 5,865,950
Asia	394,742	30,869	425,611
Europe	607	-	607
Other	204,758	-	204,758
	<u>\$ 6,466,057</u>	<u>\$ 30,869</u>	<u>\$ 6,496,926</u>

(16) Interest income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 4,736	\$ 6,095
Other interest income (Note)	-	98
	<u>\$ 4,736</u>	<u>\$ 6,193</u>

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

(17) Other income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from default penalty (Note)	\$ 100,000	\$ -
Dividend income	13,285	10,477
Rent income	716	698
Other income	4,297	7,019
	<u>\$ 118,298</u>	<u>\$ 18,194</u>

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

(18) Other gains and losses

	For the years ended December 31,	
	2021	2020
Gain on disposal of investments	\$ 65,265	\$ 767
Net gain (loss) on financial assets at fair value through profit or loss	( 595)	8,781
Loss on disposal of property, plant and equipment	-	( 221)
Net currency exchange loss	( 23,167)	( 63,777)
	<u>\$ 41,503</u>	<u>(\$ 54,450)</u>

(19) Expenses by nature

	For the years ended December 31,	
	2021	2020
Employee benefit expense	\$ 929,996	\$ 892,861
Depreciation charges on property, plant and equipment	57,632	56,081
Amortisation	4,758	6,476
	<u>\$ 992,386</u>	<u>\$ 955,418</u>

(20) Employee benefit expense

	For the years ended December 31,	
	2021	2020
Wages and salaries	\$ 774,335	\$ 751,917
Labor and health insurance fees	77,335	66,065
Pension costs	29,383	26,526
Directors' remuneration	14,544	19,559
Other personnel expenses	34,399	28,794
	<u>\$ 929,996</u>	<u>\$ 892,861</u>

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

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

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$167,911 and \$212,175, respectively; while directors' remuneration was accrued at \$14,100 and \$18,316, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2021, the Board of Directors estimated the employees' compensation and directors' 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' remuneration resolved by the Board of Directors for the year ended December 31, 2021 were \$167,911 and \$14,100, respectively, and has no material differences with those amounts recognised in the 2020 financial statements.

The employees' compensation and directors' remuneration resolved by the Board of Directors for the year ended December 31, 2020 were \$212,175 and \$18,316, respectively, and has no material differences with those amounts recognised in the 2020 financial statements.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ 155,929	\$ 197,774
Tax on unappropriated earnings	14,981	7,328
Prior year income tax overestimation	( 2,863)	( 1,178)
Total current tax	<u>168,047</u>	<u>203,924</u>
Deferred tax:		
Origination and reversal of temporary differences	( 34,317)	( 5,991)
Income tax expense	<u>\$ 133,730</u>	<u>\$ 197,933</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Remeasurement of defined benefit obligations	\$ 4,220	(\$ 2,486)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 160,242	\$ 204,354
Effect of amount not allowed to be recognised under the regulations	( 38,630)	( 12,571)
Additional tax on undistributed earnings	14,981	7,328
Prior year income tax overestimation	( 2,863)	( 1,178)
Income tax expense	<u>\$ 133,730</u>	<u>\$ 197,933</u>

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	\$ 21,396	(\$ 1,784)	(\$ 4,220)	\$ 15,392
Loss on obsolete and slow-moving and market price decline of inventories	11,113	6,799	-	17,912
Accrued unused compensated absences	5,060	-	-	5,060
Accrued sales returns and discounts	17,784	( 5,834)	-	11,950
Unrealised exchange loss	<u>1,576</u>	<u>( 1,090)</u>	<u>-</u>	<u>486</u>
	<u>56,929</u>	<u>( 1,909)</u>	<u>( 4,220)</u>	<u>50,800</u>
Deferred tax liabilities:				
Revaluation increments	( 41,619)	-	-	( 41,619)
Investment income	( 129,152)	36,214	-	( 92,938)
Unrealised exchange gain	<u>( 216)</u>	<u>12</u>	<u>-</u>	<u>( 204)</u>
	<u>( 170,987)</u>	<u>36,226</u>	<u>-</u>	<u>( 134,761)</u>
	<u>(\$ 114,058)</u>	<u>\$ 34,317</u>	<u>(\$ 4,220)</u>	<u>(\$ 83,961)</u>

2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Net defined benefit liability	\$ 20,417	(\$ 1,507)	\$ 2,486	\$ 21,396
Loss on obsolete and slow-moving and market price decline of inventories	8,432	2,681	-	11,113
Accrued unused compensated absences	4,540	520	-	5,060
Accrued sales returns and discounts	8,540	9,244	-	17,784
Unrealised exchange loss	6,206	( 4,630)	-	1,576
	<u>48,135</u>	<u>6,308</u>	<u>2,486</u>	<u>56,929</u>
Deferred tax liabilities:				
Revaluation increments	( 41,619)	-	-	( 41,619)
Investment income	( 129,042)	( 110)	-	( 129,152)
Unrealised exchange gain	( 9)	( 207)	-	( 216)
	<u>( 170,670)</u>	<u>( 317)</u>	<u>-</u>	<u>( 170,987)</u>
	<u>(\$ 122,535)</u>	<u>\$ 5,991</u>	<u>\$ 2,486</u>	<u>(\$ 114,058)</u>

D. As of the report date, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. There were no disputes between the Company and the Tax Authority.

(22) Earnings per share

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

For the year ended December 31, 2020			
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	<u>Amount</u>	<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 823,839</u>	<u>188,452</u>	<u>\$ 4.37</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 823,839	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	<u>-</u>	<u>5,108</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 823,839</u>	<u>193,560</u>	<u>\$ 4.26</u>

(23) Supplemental cash flow information

A. Investing activities with partial cash payments:

For the years ended December 31,		
	<u>2021</u>	<u>2020</u>
Increase in property, plant and equipment	\$ 29,236	\$ 48,134
Add: Opening balance of payable on equipment (Note)	598	3,068
Less: Ending balance of payable on equipment (Note)	( 1,948)	( 598)
Cash paid for purchases of property, plant and equipment	<u>\$ 27,886</u>	<u>\$ 50,604</u>

Note: Recorded as 'other payables'.

B. Financing activities with no cash flow effects:

For the years ended December 31,		
	<u>2021</u>	<u>2020</u>
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 44,606</u>	<u>\$ 16,359</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)	"
TECHFORM INDUSTRIAL CO., LTD.(TECHFORM)	"
SUNION TECHNOLOGY CO., LTD. (SUNION)	"
FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD. (FORTRESS DOOR CONTROL)	"
RUI SHENG INDUSTRIAL CO., LTD. (RUI SHENG INDUSTRIAL)	"
ZIYONG HARDWARE PRODUCTS (TAICANG) CO., LTD. (ZIYONG TAICANG)	"
ARCTEK SECURITY TECHNOLOGIES (SHANGHAI) CO., LTD. (ARCTEK)	"
FORMFLEX METAL INDUSTRIAL (CHANGSHU) CO., LTD. (FORMFLEX CHANGSHU)	"
FORTUNE INDUSTRIAL LTD.(FORTUNE)	"
CHANGSHU FORTUNE PACKING MATERIAL CO., LTD. (CHANGSHU FORTUNE PACKING)	"
HUNDURE TECHNOLOGY CO., LTD. (HUNDURE TECHNOLOGY).	The Company's subsidiary. The Company lost control over the company in August 2021 due to disposal of subsidiaries' partial shares.
ALLEGION FU HSING LIMITED (ALLEGION)	Associate, but it was dissolved on September 25, 2020.

(2) Significant related party transactions and balances

A. Operating revenue

		For the years ended December 31,	
		2021	2020
Sales of goods:			
Subsidiaries			
F.H.A	\$	132,890	\$ 124,661
Others		3,778	2,482
Sales of services:			
Subsidiaries			
FORMFLEX CHANGSHU		4,219	7,412
ZIYONG TAICHANG		-	16,833
Others		6,913	6,624
	\$	<u>147,800</u>	<u>\$ 158,012</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,	
		2021	2020
Purchases of goods:			
Subsidiaries			
FORMFLEX CHANGSHU	\$	1,719,224	\$ 1,594,598
TECHFORM		544,808	348,350
SUNION		126,335	87,239
ZIYONG TAICANG		38,938	148,997
Others		9,074	22,742
Purchases of services (recorded as 'selling expenses'):			
Subsidiaries			
F.H.A		44,300	59,182
	\$	<u>2,482,679</u>	<u>\$ 2,261,108</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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
Subsidiaries		
F.H.A	\$ 47,924	\$ 71,428
Others	<u>525</u>	<u>256</u>
	<u>48,449</u>	<u>71,684</u>
Other receivables:		
Subsidiaries		
FORMFLEX CHANGSHU	262	171
ZIYONG TAICANG	-	16,083
Others	<u>619</u>	<u>766</u>
	<u>881</u>	<u>17,020</u>
	<u>\$ 49,330</u>	<u>\$ 88,704</u>

The abovementioned other receivables mainly include:

- (a) Outstanding receivables arising from the sale of parts to related parties, which were not accounted for sales revenue when it occurred.
- (b) Receivables arising from services rendered by the Company.

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Subsidiaries		
FORMFLEX CHANGSHU	\$ 295,539	\$ 404,811
TECHFORM	54,399	49,504
SUNION	26,298	2,017
Others	<u>4,539</u>	<u>8,413</u>
	<u>380,775</u>	<u>464,745</u>
Other payables:		
Subsidiaries		
FORMFLEX CHANGSHU	43,195	19,595
F.H.A	11,356	14,611
Others	<u>1,006</u>	<u>1,094</u>
	<u>55,557</u>	<u>35,300</u>
	<u>\$ 436,332</u>	<u>\$ 500,045</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:

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, and the interest was charged at 2.50% per annum. As of December 31, 2020, all the loans have been collected and interest income of \$98 for the year ended December 31, 2020 was received. No such transaction for the year ended December 31, 2021.

F. Financing for related parties

For the year ended December 31, 2020, the Company participated in the cash capital increase raised by the subsidiary - Techform Industrial Co., Ltd., by investing \$100,000,000 and the registration was completed.

There was no such transaction for the year ended December 31, 2021.

(3) Key management compensation

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 67,806	\$ 73,426
Post-employment benefits	664	628
	<u>\$ 68,470</u>	<u>\$ 74,054</u>

8. PLEDGED ASSETS

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

Pledged asset	December 31, 2021	Purpose
Restricted bank deposits (recorded as 'Current financial assets at amortised cost, net')	<u>\$ 2,491</u>	Guarantee for derivative financial products

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2021 and 2020, the unused letters of credit for importing raw materials and equipment amounted to \$22,406 and \$18,210, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of earnings for 2021 was resolved by the Board of Directors on March 9, 2022. 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, 2021</u>	<u>December 31, 2020</u>
Debt ratio	<u>31%</u>	<u>34%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 42,376</u>	<u>\$ 545,353</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 382,952</u>	<u>\$ 322,602</u>
Financial assets at amortised cost/		
Loans and receivables		
Cash and cash equivalents	\$ 1,047,201	\$ 466,878
Financial assets at amortised cost - current	64,094	133,677
Notes receivable	26,966	17,952
Accounts receivable (including related parties)	1,138,261	1,196,673
Other receivables - related parties	881	17,020
Other financial assets (current and non-current)	<u>11,122</u>	<u>11,378</u>
	<u>\$ 2,288,525</u>	<u>\$ 1,843,578</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ -	\$ 113
Accounts payable (including related parties)	819,862	830,153
Other accounts payable (including related parties)	<u>410,244</u>	<u>464,779</u>
	<u>\$ 1,230,106</u>	<u>\$ 1,295,045</u>

B. Financial risk management policies

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

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

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

December 31, 2021			
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,696	\$ 27.68	\$ 1,430,945
RMB:NTD	26,671	4.34	115,752
AUD:NTD	1,585	20.08	31,827
<u>Non-monetary items</u>			
<u>Investments accounted for under the equity method</u>			
USD:NTD	59,917	27.68	1,663,288
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	14,298	27.68	395,769
RMB:NTD	16,845	4.34	73,107

December 31, 2020				
Foreign currency				
	amount		Exchange	Book value
	(In Thousands)		rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 48,093	\$	28.48	\$ 1,369,689
RMB:NTD	35,811		4.37	156,494
AUD:NTD	1,151		21.95	25,264
<u>Non-monetary items</u>				
<u>Investments accounted for under the equity method</u>				
USD:NTD	64,701		28.48	1,849,639
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	18,593		28.48	529,529
RMB:NTD	11,113		4.37	48,564

- iv. Total exchange loss, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$23,167 and \$63,777, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the year ended December 31, 2021			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 14,309	\$	-
RMB:NTD	1%	1,158		-
AUD:NTD	1%	318		-
<u>Non-monetary items</u>				
<u>Investments accounted for under the equity method</u>				
USD:NTD	1%	-		16,633
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	3,958		-
RMB:NTD	1%	731		-

For the year ended December 31, 2020			
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%	\$ 13,697	\$ -
RMB:NTD	1%	1,565	-
AUD:NTD	1%	253	-
<u>Non-monetary items</u>			
<u>Investments accounted for under the equity method</u>			
USD:NTD	1%	-	18,496
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	5,295	-
RMB:NTD	1%	486	-

#### 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, 2021 and 2020 would have increased/decreased by \$2,119 and \$27,268, 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 \$19,148 and \$16,130, 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, 2021 and 2020, 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 both 0.2%, of total receivables.
- vi. As of December 31, 2021 and 2020, notes and accounts receivable from the Company's top 2 customers constituted 72% and 70% of the Company's total notes and accounts receivables, respectively. The credit concentration risk of the remaining accounts receivable is relatively insignificant.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.



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

	2021	2020
At January 1	\$ 1,885	\$ 2,015
Reversal of impairment	( 226)	( 130)
At December 31	<u>\$ 1,659</u>	<u>\$ 1,885</u>

For provisioned loss in 2021 and 2020, the impairment gains arising from customer contracts are \$226 and \$130, 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, 2021			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 819,862	\$ -	\$ -	\$ -
Other payables (including related parties)	410,244	-	-	-
	<u>\$1,230,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Derivative financial liabilities:</u> None				

December 31, 2020				
	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	\$ 113	-	-	-
Accounts payable (including related parties)	830,153	-	-	-
Other payables (including related parties)	464,779	-	-	-
	<u>\$1,295,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<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 and beneficiary certificates is included in Level 1.

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

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

B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity security	\$ 42,376	\$ -	\$ -	\$ 42,376
Financial assets at fair value through other comprehensive income				
Equity security	<u>351,130</u>	<u>-</u>	<u>31,822</u>	<u>382,952</u>
	<u>\$ 393,506</u>	<u>\$ -</u>	<u>\$ 31,822</u>	<u>\$ 425,328</u>
<b>Liabilities:</b> None				

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity security	\$ 545,353	\$ -	\$ -	\$ 545,353
Financial assets at fair value through other comprehensive income				
Equity security	<u>309,102</u>	<u>-</u>	<u>13,500</u>	<u>322,602</u>
	<u>\$ 854,455</u>	<u>\$ -</u>	<u>\$ 13,500</u>	<u>\$ 867,955</u>
<b>Liabilities:</b> None				

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

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

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

- ii. When assessing non-standard and low-complexity financial instruments, for example, forward exchange contract, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Equity securities	Equity securities
At January 1	\$ 13,500	\$ 14,500
Disposal of the remaining investment of the subsidiaries' partial shares (Note)	18,322	-
Proceeds from liquidation of investees	-	(1,000)
At December 31	<u>\$ 31,822</u>	<u>\$ 13,500</u>

Note: The Company sold 54% of shares in the subsidiary – Hundure Technology Co., Ltd. on August 4, 2021 and therefore lost control over the subsidiary (please refer to Note 6(7)).

- F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.
- G. 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.
- H. The Company's equity securities for fair value measurements being categorised within Level 3 are investments in unlisted companies evaluated by net asset value method.

(4) Other matters

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

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 10.

### 14. SEGMENT INFORMATION

Not applicable.

## Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

## Loans to others

Year ended December 31, 2021

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	Reason for short-term financing	Allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					balance during	December 31,				transactions		for	Item	Value			
					year ended December 31,	December 31,				with the		doubtful					
					2021	2021				borrower		accounts					
0	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Other receivables-related parties	Y	151,848	68,688	68,688	2.50	Note 1(2)	-	Operating turnover	-	None	-	164,364	246,546	Note 2
1	Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Other receivables-related parties	Y	60,000	-	-	2.616	Note 1(1)	198,714	-	-	None	-	135,832	135,832	Note 2

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Yuanta/P-shares Taiwan Dividend Plus ETF	None	Financial assets at fair value through profit or loss - current	500,000	\$ 16,790	Note 2	\$ 16,790	
	Stocks - Huaku Development Co., Ltd.	None	Financial assets at fair value through profit or loss - current	50,000	4,570	Note 2	4,570	
	Stocks - Pegatron Corporation	None	Financial assets at fair value through profit or loss - current	66,000	4,561	Note 2	4,561	
	Stocks - Formosa Advanced Technologies Co., Ltd.	None	Financial assets at fair value through profit or loss - current	110,000	4,301	Note 2	4,301	
	Stocks - Zeng Hsing Industrial Co., Ltd.	None	Financial assets at fair value through profit or loss - current	20,000	2,920	Note 2	2,920	
	Stocks - Chicony Electronics Co., Ltd.	None	Financial assets at fair value through profit or loss - current	35,000	2,881	Note 2	2,881	
	Stocks - Dynapack International Technolgy Corporation	None	Financial assets at fair value through profit or loss - current	25,000	2,562	Note 2	2,562	
	Stocks - Hiyee International Co., Ltd.	None	Financial assets at fair value through profit or loss - current	22,000	2,387	Note 2	2,387	
	Stocks - Syncmold Enterprise Corp.	None	Financial assets at fair value through profit or loss - current	20,000	1,404	Note 2	1,404	
	Stocks - Fine Blanking & Tool Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,552,867	253,776	9.98	253,776	
	Stocks - Advanced International Multitech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	420,000	31,500	Note 2	31,500	
	Stocks - Min Aik Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,077,000	31,556	Note 2	31,556	
	Stocks - Excelsior Medical Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	350,000	20,160	Note 2	20,160	
	Stocks - Hundure Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	990,390	18,322	9.51	18,322	
	Stocks - King Chou Marine Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	350,000	12,145	Note 2	12,145	
	Stocks - Sunsino Development Associate Inc.	None	Financial assets at fair value through other comprehensive income - non-current	833,406	7,000	Note 2	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 - Launch Technologies Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	50,000	1,993	Note 2	1,993	
	Stocks - Saint Pin Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	251,835	-	Note 2	-	
	Stocks - Nailermate Enterprise Corp.	None	Financial assets at fair value through other comprehensive income - non-current	39	-	Note 2	-	
	Stocks - Sing Bee Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	511,928	-	Note 2	-	
	Stocks - Tsu Yung Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400,000	-	Note 2	-	
	Stocks - MAP TECHNOLOGY HOLDINGS LIMITED	None	Financial assets at fair value through other comprehensive income - non-current	7,853,941	-	5.47	-	
	Stocks - Hwa Nan Co., Ltd.	Note 1	Financial assets at fair value through other comprehensive income - non-current	85,891	-	15.85	-	
	Stocks - Ofis International Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	720,000	-	Note 2	-	
	Stocks - Melten Connected Healthcare Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,111,111	-	Note 2	-	

Note 1: Same board chairman.

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2021		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2021	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market	Financial assets at fair value through profit or loss - current	-	-	28,966,542	\$ 395,000	70,468,887	\$ 963,000	99,435,429	\$ 1,358,563	\$ 1,358,000	\$ 563	-	\$ -
	Beneficiary certificates - Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	3,319,972	54,000	30,768,555	501,000	34,088,527	555,050	555,000	50	-	-
	Beneficiary certificates - Union Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	45,256,209	603,000	45,256,209	603,092	603,000	92	-	-
Fortress Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	38,788,198	530,000	38,788,198	530,046	530,000	46	-	-



Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transations		Notes/accounts receivable (payable)			Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Indirectly-owned subsidiary	Purchases	\$ 1,719,224	34	Agreement	Note	Note	(\$ 295,539)	(36)	
	Techform Industrial Co., Ltd.	Subsidiary	Purchases	544,808	11	Agreement	Note	Note	( 54,399)	(7)	
	Sunion Technology Co., Ltd.	Subsidiary	Purchases	126,335	2	Agreement	Note	Note	( 26,298)	(3)	
	FU HSING AMERICAS INC.	Subsidiary	(Sales)	( 132,890)	(2)	Agreement	Note	Note	47,924	4	
Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Affiliated company	Purchases	198,714	18	Agreement	Note	Note	( 27,729)	(12)	
	FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Subsidiary	Purchases	165,666	15	Agreement	Note	Note	( 30,665)	(13)	
Techform Industrial Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	( 544,808)	(63)	Agreement	Note	Note	54,399	43	
	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated company	(Sales)	( 248,902)	(29)	Agreement	Note	Note	62,246	49	
Sunion Technology Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	( 126,335)	(85)	Agreement	Note	Note	26,298	90	
Ziyong Hardware Products (Taicang) Co., Ltd.	Techform Industrial Co., Ltd.	Affiliated company	Purchases	248,902	17	Agreement	Note	Note	( 62,246)	(20)	
	Formflex Metal Industrial (Changshu) Co., Ltd.	Affiliated company	(Sales)	( 106,991)	(7)	Agreement	Note	Note	14,001	3	
Formflex Metal Industrial (Changshu) Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated company	Purchases	106,991	6	Agreement	Note	Note	( 14,001)	(4)	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	( 1,719,224)	(99)	Agreement	Note	Note	295,539	76	
Arctek Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Affiliated company	(Sales)	( 198,714)	(69)	Agreement	Note	Note	27,729	56	
FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Fortress Industrial Co., Ltd.	Parent company	(Sales)	( 165,666)	(89)	Agreement	Note	Note	30,665	82	
FU HSING AMERICAS INC.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	Purchases	132,890	99	Agreement	Note	Note	( 47,924)	(98)	

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 December 31, 2021

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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	\$ 295,539	4.91	\$ -	-	\$ 221,960	\$ -

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2021

Table 6 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		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taichang) Co., Ltd.	1	Purchases	\$ 38,938	Agreement	0.40%
		Formflex Metal Industrial (Changshu) Co., Ltd.	1	Purchases	1,719,224	Agreement	17.75%
		"	"	Accounts payable - related parties	295,539	Agreement	3.35%
		"	"	Other payables - related parties	43,195	Agreement	0.49%
		FU HSING AMERICAS INC.	1	Sales	132,890	Agreement	1.37%
		"	"	Operating expense	44,300	Agreement	0.46%
		"	"	Accounts receivable - related parties	47,924	Agreement	0.54%
		"	"	Other payables - related parties	11,356	Agreement	0.13%
		Techform Industrial Co., Ltd.	1	Purchases	544,808	Agreement	5.62%
		"	"	Accounts payable - related parties	54,399	Agreement	0.62%
		Sunion Technology Co., Ltd.	1	Purchases	126,335	Agreement	1.30%
		"	"	Accounts payable - related parties	26,298	Agreement	0.30%
1	Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	3	Purchases	165,666	Agreement	1.71%
		"	"	Accounts payable - related parties	30,665	Agreement	0.35%
		Arctek Industrial Co., Ltd.	3	Purchases	198,714	Agreement	2.05%
		"	"	Service revenue	11,220	Agreement	0.12%
		"	"	Accounts payable - related parties	27,729	Agreement	0.31%
		Rui Sheng Industrial Co., Ltd.	3	Purchases	10,101	Agreement	0.10%
2	Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taichang) Co., Ltd.	3	Sales	248,902	Agreement	2.57%
		"	"	Purchases	74,425	Agreement	0.77%
		"	"	Accounts receivable - related parties	62,246	Agreement	0.71%
3	Ziyong Hardware Products (Taichang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	39,583	Agreement	0.41%
		Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	106,991	Agreement	1.10%
		"	"	Purchases	15,788	Agreement	0.16%
4	Formflex Metal Industrial (Changshu) Co., Ltd.	"	"	Accounts receivable - related parties	14,001	Agreement	0.16%
		Arctek Security Technologies (Shanghai) Co., Ltd.	3	Other receivables - related parties (Loans to)	68,688	Agreement	0.78%
		Changshu Fortune Packing Material Co., Ltd.	3	Purchases	26,718	Agreement	0.28%
5	Rui Sheng Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Sales	31,195	Agreement	0.32%
		"	"	Accounts payable - related parties	11,535	Agreement	0.13%

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

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investees

Year ended December 31, 2021

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income(loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Enterprise Co., Ltd.	SAMOA	Investment holdings	\$ 741,744	\$ 741,744	23,704,000	100	\$ 861,712	\$ 37,791	\$ 37,566	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Master United Investment Group Ltd.	British Virgin Islands	Investment holdings	538,240	538,240	1,560,000	100	670,581 (	86,260) (	88,234)	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Techform Industrial Co., Ltd.	Taiwan	Processing of hardware products	800,000	800,000	80,000,000	100	780,061	35,357	34,883	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Taiwan	Sales and manufacture of door locks, transom closers and floor springs	410,231	410,231	39,930,000	100	678,144	40,015	40,408	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Fu Hsing Americas Inc.	U.S.A	Sales of door locks and related accessories	11,263	11,263	300,000	100	130,995	5,121	5,181	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	65,200	65,200	5,838	70	84,455	11,490	7,914	Note 1
Taiwan Fu Hsing Industrial Co., Ltd.	Hundure Technology Co., Ltd.	Taiwan	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	-	151,562	-	0	-	-	204	Note 3
Taiwan Fu Hsing Industrial Co., Ltd.	Sunion Technology Co., Ltd.	Taiwan	Sales and manufacture of electronic lock parts	29,000	29,000	3,132,000	100	42,749	11,079	11,079	
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	14,000	14,000	756,000	70	26,270	6,278	-	Note 2
Formflex Enterprise Co., Ltd.	Fortune Industrial Ltd.	SAMOA	Investment holdings	6,698	6,698	204,000	51	12,451	2,005	-	Note 2

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2021

Table 8

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	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	\$ 36,838	100	\$ 36,838	\$ 821,821	\$ 659,990	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	( 86,260)	100	( 86,260)	651,199	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	( 8,877)	100	( 8,875)	72,328	-	Note 2
ChangShu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	2,005	51	1,023	12,440	-	Note 2
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	1,939	100	1,939	( 49,118)	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	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	\$ 3,667,751	Note 3
Fortress Industrial Co., Ltd.	90,750	90,750	407,497	Note 4

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

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

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

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area  
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD

Purchaser/seller	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, 2021	%	Amount	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Material Industrial (Changshu) Co., Ltd.	(\$ 1,719,224)	(34)	\$ 4,219	38	(\$ 338,734)	(28)	\$ 262	24	\$ -	-	\$ -	\$ -	-	\$ -
Techform Industrial Co., Ltd.	Formflex Material Industrial (Changshu) Co., Ltd.	39,583	5	-	-	3,652	3	-	-	-	-	-	-	-	-
Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	(38,938)	(1)	-	-	(3,496)	0	-	-	-	-	-	-	-	-
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	248,902	29	-	-	62,246	49	-	-	-	-	-	-	-	-
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	( 74,425)	(13)	-	-	( 8,719)	(14)	-	-	-	-	-	-	-	-
Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	( 165,666)	(15)	704	6	( 30,665)	(13)	4	-						

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries  
Major shareholders information  
December 31,2021

Table 10

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

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

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

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

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

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

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash :		
Cash on hand and Petty cash		\$ 281
Bank deposits	Demand deposits - NTD	16,674
	Demand deposits - USD (US \$940 thousand, exchange rate 27.68)	26,024
	Demand deposits - AUD (A \$615 thousand, exchange rate 20.08)	12,355
	Demand deposits - RMB (RMB ¥81 thousand, exchange rate 4.34)	353
		<u>55,406</u>
Cash equivalents:		
Time deposits	Time deposits - NTD, continually maturing before January 2022, interest rate 0.34% ~ 0.35%	638,500
	Time deposits - USD (USD \$11,670 thousand, exchange rate 27.68), continually maturing before February 2022, interest rate 0.06% ~ 0.18%	323,026
	Time deposits - RMB (RMB ¥6,903 thousand, exchange rate 4.34), continually maturing before March 2022, interest rate 2.60% ~ 2.62%	29,988
		<u>991,514</u>
		<u>\$ 1,047,201</u>



TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 2

										Amount of Change in
										The Fair Value is
										Attributable to Change
Name of Financial Instrument	Description	Shares	Face Value	Total Amount	Interest Rate	Cost	Fair Value		in The Credit Risk	Note
							Unit Price	Total Amount		
Beneficiary certificates:										
Yuanta/P-shares Taiwan Dividend Plus ETF	Money funds	500,000	Not applicable	\$ 14,275	-	\$ 14,275	33.58	\$ 16,790	Not applicable	
Listed (TSE and OTC) stocks:										
Pegatron Corporation	Listed stocks	66,000	Not applicable	\$ 4,877	-	4,877	69.10	4,561	Not applicable	
Huaku Development Co., Ltd.	Listed stocks	50,000	Not applicable	\$ 4,690	-	4,690	91.40	4,570	Not applicable	
Formosa Advanced Technologies Co., Ltd.	Listed stocks	110,000	Not applicable	\$ 4,602	-	4,602	39.10	4,301	Not applicable	
Zeng Hsing Industrial Co., Ltd.	Listed stocks	20,000	Not applicable	\$ 3,450	-	3,450	146.00	2,920	Not applicable	
Dynapack International Technolgy Corporation	OTC stocks	25,000	Not applicable	\$ 2,904	-	2,904	102.50	2,562	Not applicable	
Chicony Electronics Co., Ltd.	Listed stocks	35,000	Not applicable	\$ 2,784	-	2,784	82.30	2,881	Not applicable	
Hiyes International Co., Ltd.	Listed stocks	22,000	Not applicable	\$ 1,990	-	1,990	108.50	2,387	Not applicable	
Syncmold Enterprise Corp.	Listed stocks	20,000	Not applicable	\$ 1,785	-	<u>1,785</u>	70.20	1,404	Not applicable	
						41,357				
Valuation adjustment of financial assets at fair value through profit or loss						<u>1,019</u>				
						<u>\$ 42,376</u>				

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST -CURRENT  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 3

							Accumulated	
Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Impairment	Note
Time deposits - foreign currency	RMB ¥12,800 thousand, exchange rate 4.34	1	\$ 55,603	\$ 55,603	2.8%	\$ 55,603	\$ -	
	Maturity date: March 23, 2022							
Time deposits - foreign currency	US \$90 thousand, exchange rate 27.68	2	2,491	2,491	0.22%~0.25%	2,491	-	Secured pledge
	Maturity date: May 2022 ~ December 2022							
Time deposits - NTD	Maturity date: June 2022 ~ September 2022	2	6,000	6,000	0.780%	6,000	-	
						<u>\$ 64,094</u>	<u>\$ -</u>	

Please refer to Note 8 for details.

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 4

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer B	Sales revenue	\$ 452,447	
Customer C	Sales revenue	391,839	
Others (balance of each client has not exceeded	Sales revenue		
5% of total account balance)		<u>247,185</u>	
		1,091,471	
Less: Allowance for bad debts		( <u>1,659</u> )	
		<u>\$ 1,089,812</u>	
Related parties:			
FU HSING AMERICAS INC.	Sales revenue	\$ 47,924	
Others (balance of each client has not exceeded	Sales revenue		
5% of total account balance)		<u>525</u>	
		<u>\$ 48,449</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 5

		<u>Amount</u>		
		<u>Net Realisable</u>		
<u>Item</u>	<u>Description</u>	<u>Cost</u>	<u>Value</u>	<u>Note</u>
Raw materials		\$ 44,769	\$ 40,714	The lower of cost and net realisable value
Work in progress		332,799	332,850	
Finished goods		<u>396,715</u>	<u>416,460</u>	
		774,283	<u>\$ 790,024</u>	
Less: Allowance for inventory valuation and obsolete and slow-moving inventories		( <u>89,560</u> )		
		<u>\$ 684,723</u>		

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF OTHER CURRENT ASSETS, OTHERS  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Receivables from business tax refund		\$ 28,389	
Office supplies		17,789	
Others		<u>11,879</u>	
		<u>\$ 58,057</u>	

TAIWAN FU Hsing INDUSTRIAL CO., LTD.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 7

Name	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated		
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value	impairment	Collateral	Note
Listed stocks:											
Fine Blanking & Tool Co., Ltd.	7,552,867	\$ 239,426	-	\$ 14,350	-	\$ -	7,552,867	\$ 253,776	Not applicable	None	
Min Aik Precision Industrial Co., Ltd.	1,107,000	33,321	-	-	( 30,000)	( 1,765)	1,077,000	31,556	"	None	
Advanced International Multitech Co., Ltd.	315,000	12,852	105,000	18,648	-	-	420,000	31,500	"	None	
Excelsior Medical Co., Ltd.	205,000	11,500	145,000	8,660	-	-	350,000	20,160	"	None	
King Chou Marine Technology Co., Ltd.	330,000	10,808	20,000	1,337	-	-	350,000	12,145	"	None	
Launch Technology Co., Ltd.	50,000	1,195	-	798	-	-	50,000	1,993	"	None	
Unlisted stocks:											
Hundure Technology Co., Ltd.	-	-	990,390	18,322	-	-	990,390	18,322	"	None	
Sunsino Development Associate Inc.	833,406	7,000	-	-	-	-	833,406	7,000	"	None	
NCKU Venture Capital Co., Ltd.	1,300,000	6,500	-	-	-	-	1,300,000	6,500	"	None	
Nailermate Enterprise Corp.	45,972	-	-	-	( 45,933)	-	39	-	"	None	Preferred shares
Saint Pin Technology Co., Ltd.	251,835	-	-	-	-	-	251,835	-	"	None	
Shing Bee Enterprise Co., Ltd.	511,928	-	-	-	-	-	511,928	-	"	None	
Tsu Yung Enterprise Co., Ltd.	400,000	-	-	-	-	-	400,000	-	"	None	
Ofis International Co., Ltd.	720,000	-	-	-	-	-	720,000	-	"	None	
Hwa Nan Co., Ltd.	85,891	-	-	-	-	-	85,891	-	"	None	
Map Technology Holdings Limited	7,853,941	-	-	-	-	-	7,853,941	-	"	None	
Melten Connected Healthcare Inc.	1,111,111	-	-	-	-	-	1,111,111	-	"	None	
		<u>\$ 322,602</u>		<u>\$ 62,115</u>		<u>(\$ 1,765)</u>		<u>\$ 382,952</u>			

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 8

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	Notes
Subsidiaries:													
FORMFLEX ENTERPRISE CO., LTD.	23,704,000	\$ 956,618	-	\$ -	-	(\$ 94,906)	23,704,000	100%	\$ 861,712	37	\$ 868,541	None	
TECHFORM INDUSTRIAL CO., LTD.	80,000,000	745,178	-	34,883	-	-	80,000,000	100%	780,061	10	780,535	None	
FORTRESS INDUSTRIAL CO., LTD.	39,930,000	667,297	-	10,847	-	-	39,930,000	100%	678,144	17	679,161	None	
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	763,251	-	-	-	( 92,670)	1,560,000	100%	670,581	417	651,230	None	
FU HSING AMERICAS INC.	300,000	129,770	-	1,225	-	-	300,000	100%	130,995	462	138,722	None	
ARCTEK INDUSTRIAL CO., LTD.	5,838	126,444	-	3,244	-	-	5,838	70%	129,688	14,503	84,668	None	
SUNION TECHNOLOGY CO., LTD.	2,900,000	31,670	232,000	11,079	-	-	3,132,000	100%	42,749	14	42,749	None	
HUNDURE TECHNOLOGY CO., LTD. (Note)	6,615,390	186,059	-	-	( 6,615,390)	( 186,059)	-	-	-	-	-	-	
		<u>3,606,287</u>		<u>61,278</u>		<u>( 373,635)</u>			<u>3,293,930</u>		<u>\$ 3,245,606</u>		
Accumulated impairment		( 116,215)		<u>-</u>		<u>70,982</u>			<u>( 45,233)</u>				
		<u>\$ 3,490,072</u>		<u>\$ 61,278</u>		<u>(\$ 302,653)</u>			<u>\$ 3,248,697</u>				

Note : The Company sold 54% of shares in the subsidiary –Hundure Technology Co., Ltd. on August 4, 2021 and therefore lost control over the subsidiary (please refer to Note 6(7)).

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 9

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Tsu Yung Enterprise Co., Ltd.	Purchases and outsource	\$ 45,918	
Litai Color Printing Enterprises Co., Ltd.	Purchases	44,157	
Sinkang Industries Co., Ltd.	Purchases	26,540	
Sing-Der Co., Ltd.	Purchases and outsource	23,819	
Others (balance of each vendor has not exceeded 5% of total account balance)	Purchases and outsource	298,653	
		<u>\$ 439,087</u>	
Related parties:			
Formflex Metal Industrial (Changshu) Co., Ltd.	Purchases	\$ 295,539	
Techform Industrial Co., Ltd.	Purchases and outsource	54,399	
Sunion Technology Co., Ltd.	Purchases	26,298	
Others (balance of each vendor has not exceeded 5% of total account balance)		4,539	
		<u>\$ 380,775</u>	



TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 10

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Metalwork doors	49,212 thousand pieces	\$ 6,735,933	
Less: Sales returns and discounts		( 83,052)	
Net sales revenue		6,652,881	
Other service revenue		<u>11,132</u>	
		<u>\$ 6,664,013</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Amount		Note
	Subtotal	Total	
Beginning raw materials		\$ 27,441	
Add: Raw materials purchased	\$ 3,143,527		
Less: Raw materials reclassified as expenses, etc.	( 142)	3,143,385	
Ending raw materials		( 44,769)	
Raw materials used		3,126,057	
Direct labour		469,223	
Manufacturing expense		<u>777,205</u>	
Manufacturing cost		4,372,485	
Beginning work in progress		244,836	
Less: Work in progress reclassified as expenses		( 5,213)	
Ending work in progress		( 332,799)	
Cost of finished goods		4,279,309	
Beginning finished goods		201,599	
Less: Finished goods reclassified as expenses, etc.		( 3,344)	
Ending finished goods		( 396,715)	
Cost of goods sold from finished goods		4,080,849	
Cost of goods sold from purchase		1,592,420	
Cost of goods sold from molds		4,730	
Add: Allowance for inventory valuation and obsolete and slow-moving inventories		33,993	
Less: Revenue from sale of scraps		( 119,630)	
		<u>\$ 5,592,362</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 366,132	
Indirect labor		118,748	
Repairs and maintenance expense		67,455	
Depreciation		47,074	
Utilities expense		39,722	
Other expenses	Balance of individual accounts has not	138,074	
	exceeded 5% of total account balance		
		<u>\$ 777,205</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commissions expense		\$ 46,616	
Wages and salaries		43,366	
Export expense		26,716	
Freight		12,384	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	24,316	
		<u>\$ 153,398</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 127,557	
Directors' remuneration		14,544	
Labour and health insurance fees		12,251	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	78,272	
		<u>\$ 232,624</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 66,400	
Research and development expenses		11,771	
Labour and health insurance fees		6,585	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	12,928	
		<u>\$ 97,684</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
STATEMENT OF FINANCE COOST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 16

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		<u>\$ 500</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Statement 17

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ 635,550	\$ 294,446	\$ 929,996	\$ 590,839	\$ 302,022	\$ 892,861
Wages and salaries	537,012	237,323	774,335	508,949	242,968	751,917
Labour and health insurance fees	54,997	22,338	77,335	46,097	19,968	66,065
Pension costs	21,736	7,647	29,383	18,930	7,596	26,526
Directors' remuneration	-	14,544	14,544	-	19,559	19,559
Other personnel expenses	21,805	12,594	34,399	16,863	11,931	28,794
Depreciation expense	47,074	10,558	57,632	45,743	10,338	56,081
Amortisation expense	2,196	2,562	4,758	2,466	4,010	6,476

Note:

A. As at December 31, 2021 and 2020, the Company had 1,346 and 1,297 employees, respectively, including both 7 non-employee directors.

B. (a) Average employee benefit expense for the years ended December 31, 2021 and 2020 was \$684 and \$677, respectively.

(b) Average employee salaries for the years ended December 31, 2021 and 2020 were \$578 and \$583, respectively.

(c) Changes of adjustments of average employees' salary was (1%).

(d) Supervisors' remuneration for the years ended December 31, 2021 and 2020 was \$0 and \$60, respectively. (Note)

(e) The Company sets up the Remuneration Committee with all independent directors serving as Remuneration Committee members. The Committee evaluates the factors such as the industry environment, profitability of the Company, performance and contribution of employees and researches on the market pay levels to establish the 'Taiwan Fu Hsing Industrial Co., Ltd. Manager's Remuneration Policy', which is used as a basis for determining salaries to managers after the policy is approved by the Board of Directors. The members committee will regularly review managers' performance to assess their contribution to the Company and reasonableness of remuneration. Also, the Committee will continue to review and revise the Company's remuneration policy to ensure a competitive compensation structure that is aligned with the interests of shareholders.

All employees' position classifications, salary structures, salary levels and salary calculation and so on are stipulated in the Company's 'Position Structure and Salary Management Regulations'. The regulations are published in the Company's internal website for reference of employees, and are regularly reviewed by the human resource department or revised to comply with the laws and regulations.

According to the Article 26-1 of Incorporation of the Company, when distributing earnings, the ratio of distributable profit of the current year shall not be lower than 5% for employees' compensation and shall not be higher than 5% for directors' remuneration.

The Company conducts performance assessment on all employees every year in accordance with 'Performance Assessment and Management Regulations' to determine their performance levels through self-evaluations and second-level supervisor evaluations according to the individual's KPI, competency, attendance, rewards and punishments and so on. The year-end bonuses to employees are distributed based on the employees' performance and the Company's profitability in accordance with the 'Year-End Bonus Approval and Distribution Standards'.

The bonuses to managers and specific persons are distributed by reference to individual's and special contribution to the Company in accordance with the 'Taiwan Fu Hsing Industrial Co., Ltd. Manager's Remuneration Policy'.

Note: The Company has an audit committee in May, 2019, thus, there was no remuneration of supervisors.