

Security Code : 9924

台灣福興工業股份有限公司

TAIWAN FU HSING INDUSTRIAL CO., LTD.



2020

ANNUAL REPORT

Printed Date: March 30th, 2021

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

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

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4. Certifying CPA of the current year

Name of Certifying Accountants: WANG Kuo-Hua and WU Chien-Chih

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5. Listed overseas securities for trading: None

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I. Letter to Shareholders

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

The new corona-virus epidemic that started in early 2020 has not stopped and has brought about great changes and impacts to global lifestyles. For saving the fast-descending economy, western nations led by the U.S. carry out strategies, including quantitative easing (QE) and low interest rate, which results in NTD's substantial appreciation. Moreover, the on-going US-China trade war and tariff issues further bring about great challenges to export-dominated Taiwan Fu Hsing's operation. Fortunately, with all's devotion, we've been working hard to overcome all the difficulties. In 2020, Taiwan Fu Hsing still handed in good results; our consolidated revenues and operating profits kept reaching the new height. I hereby especially thank all Taiwan Fu Hsing's shareholders for your consistent support and encouragement. Our management team are resolved to achieve our mission and merit your trust. We will not relax and will work cautiously to maintain Taiwan Fu Hsing's operation following a positive and growing track.

The Company's 2020 operation results are stated as the following:

(1) Review the implementation of Business Plan

Unit: NTD1,000

List	2020	2019	Increase (Decrease)	Increase (Decrease) by %
Revenues (Net)	\$9,033,976	\$8,681,906	\$352,070	4%
Operating Profit	1,219,309	1,139,882	79,427	7%
Net Income Before Tax	1,105,138	1,154,223	-49,085	-4%
Net Income After Tax	823,839	825,693	-1,854	0%

(2) Review of Budget Implementation

Not available. Taiwan Fu Hsing did not disclose financial forecast for the year of 2020.

(3) Analysis of Receipt, Expenditure, and Profitability

List		2020	2019
Financial Structure	Debt to Total Asset (%)	33.88	32.96
	Long Fund to Fixed Assets, Plants, and Facilities (%)	240.51	231.73
Business Solvency	Current Ratio (%)	249.72	266.16
	Quick Ratio (%)	191.59	212.36
	Interest Protection Multiples	154.24	148.73
Profitability	Return on Assets (%)	9.55	10.24
	Return on Equity (%)	14.24	15.11
	NIBT to Paid In Capital (%)	58.64	61.25

	Net Profit Ratio (%)	9.12	9.51
	Earnings Per Share (NTD)	\$4.37	\$4.38

(4) **Research & Development Works**

Developing new products and new technology has always been one important operational direction and tradition for Taiwan Fu Hsing. In 2020, while was facing epidemic impacts and pressures from increasing material costs that came immediately after, Taiwan Fu Hsing continued to seek technological breakthroughs in order to maintain our products' competitiveness and ensure a stable quality.

In terms of commercial locks, we had completed the development of the new mechanism and various new functions to expand the scope of application and continue to enlarge market coverage with wider product lines.

In the aspect of household mechanical locks, we had also completed the innovation and design of new mechanism and the development of various brand new appearances. We not only expanded such product's added value but also provided more diversified selections to our products and home design.

In the area of electronic locks, when new appearances were continuously released, we also actively imported in the brand new biometric technology and IoT technology. Meanwhile, we started to build up the layout in cloud platform. Following the expansion of our R&D team, we had significantly increased the researching and developing capacity in computer software and hardware, so that we can accelerate the market for customers to embrace smart homes.

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

(1) Deliberately response to adverse impacts caused by currency fluctuation and material pricing

Along with the removal of more nations' lock-down bans, we saw the long lost sign of economy recovery, and yet, in the meantime, the prices of major metal materials, such as steel, copper, zinc, and nickel, kept hitting all-time high. On the other hand, the US and EU's QE policy and low interest strategy brought in a great quantity of foreign funds and caused a substantial appreciation of Taiwanese dollars, as well as brought great impact to the Company's operation. To response to the above-mentioned adverse factors, Taiwan Fu Hsing will adopt manners, such as adjusting procurement behavior; optimizing manufacturing procedures, utilizing various financial derivatives, etc..., to reduce the overall impacts.

(2) Continue to pay close attention to the development of the epidemic

Although the vaccine of Covid-19 has been presented one after another, it still will take quite some time to reach herd immunity both in Taiwan and globally. Therefore, we will dynamically adjust our sustainable operation project, planned last year, and continue to separate staff's moving lines, truly execute all the epidemic prevention measures in order to maintain stable capacity utilization.

(3) Truly carry out corporate social responsibility and social care

In spite of the challenging operational environment, Taiwan Fu Hsing never reduces its devotion to the society, while, on the other part, is still looking for further growth. In the past year, in addition to keep sponsoring WeiWuYing Art Center's activities and holding large size art, culture, and physical training related activities, such as Fu Hsing Cup tennis competition and Fu Hsing Cup Golf Competition, we also sponsored and participated in the following programs:

1. Humanistic Education Foundation – The Math Thinking Land
2. The Pier-2 Art Center – Youth Innovative Design Festival
3. Non-profit organization “One-Forty” – Made curriculum plans for non-Taiwanese employees to attend classes in Mandarin, Money Management, etc...

During this year, we will still hold our belief in taking from the society and using it for the society and strive for delivering on our role as a corporate citizen to pursue a sustainable future.

The International Monetary Fund (IMF) anticipated the global economic growth this year can reach 5.5%. In Taiwan, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan R.O.C. estimated Taiwan's economic growth rate in 2021 to be 4.6%. Both economy outlooks show the highest expectation in the recent years; however, we should not be pleased with such optimistic forecasts. At this moment, we are still facing a difficult macro environment. Factors like weak US dollar, soaring material cost, US-China trade war, and global shortage of containers, etc... are still testing our abilities to respond and operate. We will still maintain our consistent pragmatic attitude to response to all situations, continue to cooperate closely with our clients, and properly allocate each factory's resources with the hope to make a smooth breakthrough in the post-epidemic era and create another operational success.

Chairman:

LIN, Jui-Chang

II. Company Profile

(1) Date of Establishment

i. Registration Date of Establishment:

November 23rd, 1957

ii. Company and Factory Address and Phone Number:

Headquarter (Factory):

No.88, Yucai Rd., Benjhou Vil., Kangshan Dist., Kaohsiung City

Telephone No.: +886 7 6225151

Taipei Contact Office:

Address: 7F-4, No.12, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City,

Taiwan

Telephone No.: +886 2 22787810~11

Taichung Contact Office:

No.310, Hezuo ST., South Dist., Taichung City

Telephone: +886 4 22859965

iii. Business Scope:

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

(2) Milestones

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

	<p>whole factory was moved to Kangshan Township in Kaohsiung County. The plant site was expanded to have 16,529 square meters and company capital was increased to NT10,000,000 dollars.</p>
1977~1986	<ul style="list-style-type: none"> • For connecting the overall operation, the Financial Dept. and Operation Dept. were also moved to Kangshan Township. Fu Hsing's operation started to boom after consolidation of departments from different areas. • Fu Hsing Founder and also the Chairman, LIN, Huo-Mu, passed away. The Board of Directors resolved to elect Mr. LIN, Jui-Chang to be the successor. Chairman LIN devoted to product quality and management. With all's efforts, Fu Hsing product had good and stable quality and was accredited as A+ Quality Factory by the Ministry of Economic Affairs and evaluated as Taiwan Good Supplier by CNFI and Ministry of Economic Affairs. • In order to integrate corporate resources, set up systematic management system, and enhance overall efficiency, Fu Hsing introduced in E-Computerization system in full scale. 14 management systems were mapped out, and more IT personnel were trained. Fu Hsing officially stepped into computerized management. • With renowned good product quality, Fu Hsing was approved as one of the CNS certified factories by the Ministry of Economic Affairs.
1987~1996	<ul style="list-style-type: none"> • For enhancing all employees' awareness in product quality and quality improvement, Fu Hsing started to advocate humane management, QCC (Quality Control Circle), improvement proposal system, and introduced CWQC system to solidify the company's quality control system. • Invented electronic key-cards and obtained various domestic and overseas patents. • Was awarded the honor of "Good Company of the Top Ten Product Research and Development" by the Chinese National Federation of Industries. • Received the honor of the 1st Industrial Technology Advancement Award. • Fu Hsing Chairman was elected as the 15th Model of Young Entrepreneur. • Received the 2nd SMEA award. • Fu Hsing products were awarded the mark of Taiwan Excellence. • On March 15th, 1995, Fu Hsing went public. Door Closer Group was established. °
1997~2006	<ul style="list-style-type: none"> • Obtained ISO-9002 certification from the Bureau of Merchandise Inspection. • Received the 7th Industrial Technology Development Award from the Ministry of Economic Affairs. • China's re-invested company Ji Jing Institution (Shanghai) Co., Ltd. was re-named to Fu Hsing Industrial (Shanghai) Co., Ltd.. • Consolidated 100% owned subsidiary Formflex Enterprise Co., Ltd. • Invested in Ziyong Hardware Products (Taichang) Co., Ltd. in China. • Formed strategic alliance with Ingersoll Rand Group from the United States. • ERP system was officially launched to achieve a more efficient integration on corporate resources and information system.
2007~2011	<ul style="list-style-type: none"> • Invested in China and set up ChangShu Fortune Packing Material Co., Ltd. with total investment amount of US\$ 204,000 dollars. • ERP system was fully launched in Fu Hsing's Changhua Factory, as well as in Formflex Metal Industrial (Changshu) Co., Ltd. and Ziyong Hardware Products (Taichang) Co., Ltd. in China to further enhance the overall work efficiency and the integration of corporate resources and information system. • Acquired ARCTEK Industrial Co., Ltd. to strengthen the industry's horizontal integration, increase the market share of door closer type products such as door hinge and floor hinge, and enhance the company's competitiveness. • Acquired 70% of Rui Sheng Industrial Co., Ltd. through ARCTEK Industrial Co., Ltd. • Obtained the AEO certification from the Customs Administration, Ministry of Finance R.O.C. and became one of the good AEO safety certified companies.
2012	<ul style="list-style-type: none"> • Consolidated a 100% own subsidiary, Tai Master Enterprise Co., Ltd. • Fu Hsing's Changhua branch that was responsible for the production and sale of door closer type products was split from the Company and became Fu Hsing's subsidiary, Fortress Industrial Co., Ltd. on January 1st, 2013.

	<ul style="list-style-type: none"> Established Arctek (Shanghai) International Trading Co., Ltd. Invested USD5,000,000 in Formflex Metal Industrial (Changshu) Co., Ltd. in China to increase the capital. Officially launched the operation of Remuneration Committee in first quarter.
2013	<ul style="list-style-type: none"> The door lock production base, Fu Hsing Industrial (Shanghai) Co., Ltd., in Shanghai stopped operation in the end of January due to land expropriation relating to Shanghai government's municipal construction planning. Its related door lock capacity was transferred to Fu Hsing's Changshou plant and continued to provide customers with superior products and services. Established the "Guidance for Ethical Operation Procedures and Behaviors" as a code of conduct for employee's external behaviors. In order to cooperate with the door plate re-organization and consolidation project requested by the Household Registration Office, address of Fu Hsing's headquarter changed from "No.55-10, Benjhou Rd." to "No.88, Yucai Rd." on August 9th.
2014	<ul style="list-style-type: none"> Merged Hundure Technology Co., Ltd. and entered into access security industry. Edited and published Fu Hsing's first "CSR Corporate Sustainable Development Report" (edited in accordance with GRI G4 index). Subsidiary Arctek (Shanghai) International Trading Co., Ltd. was appraised as "one of the top ten access security hardware companies in China" by China Hardware Technological Innovation Strategy Union in the year of 2013. Subsidiary, Fortress Industrial Co., Ltd. established Fortress Door Control Product (Changshu) Co., Ltd. to set up a production base in China. Established Tong Hsing Enterprise Co., Ltd. to vertically integrate Fu Hsing Group's production.
2015	<ul style="list-style-type: none"> The "2014 CSR Report" was certified by the SGS. Received the honor of "Good Fortune Enterprise Label Award" A warehousing facility measuring 50,000 sqft was acquired in Georgia State, United States for further cultivating North America market and providing better services to customers.
2016	<ul style="list-style-type: none"> Subsidiary, ARCTEK Industrial Co., Ltd., acquired land and factory in Changhua County Beidou Industrial Zone for future use in order to meet with the group's goal in continuous operation. Rewarded the "Healthy Workplace Badge for Health Promotion" by the Health Promotion Administration, Ministry of Health and Welfare Rewarded as "2016 Sport Corporation" from the Sports Administration, Ministry of Education.
2017	<ul style="list-style-type: none"> Received the "Corporate culture award" in the 13th "Art & Business Awards" held by the Ministry of Culture Lock product received the honor in the 26th Taiwan Excellence Award Started the factory construction of subsidiary, Tong Hsing Enterprise Co., Ltd.
2018	<ul style="list-style-type: none"> Lab accredited by U.S. Intertek (ITS) Satellite's Level 3 Test Data Acceptance Program Tong Hsing Enterprise Co., Ltd.'s new factory was completed construction and obtained operation license Obtained nearby lands and buildings for a total area measured 450 ping (1488 m²)
2019	<ul style="list-style-type: none"> Being awarded "2019 Taiwan iSports Certification" Being awarded "Vitality Award" of the 2019 Outstanding Health Workplace Received the 14th Arts and Business Awards in the areas of "Standard Award - Bronze" and "Better Business Award" Being interviewed in the special column "Sport is Fashionable" of the Global Views Monthly Set up Sunion Technology Co., Ltd.
2020	<ul style="list-style-type: none"> Being praised by the Sports Administration for "hiring sports instructors" and had a special column interview with the Business Today magazine AEO Certification as a qualified Authorized Economic Operator Kaohsiung City's Happy Corporate Golden Reward in the types of "Gender Equity" and "Welfare" Copper Award in 2020 PwC's CSR Influential Award (the Better Up Migrant Worker project) 1st time to be assessed to be within the top 6%-20% enterprises in the 6th Corporate Governance Evaluation

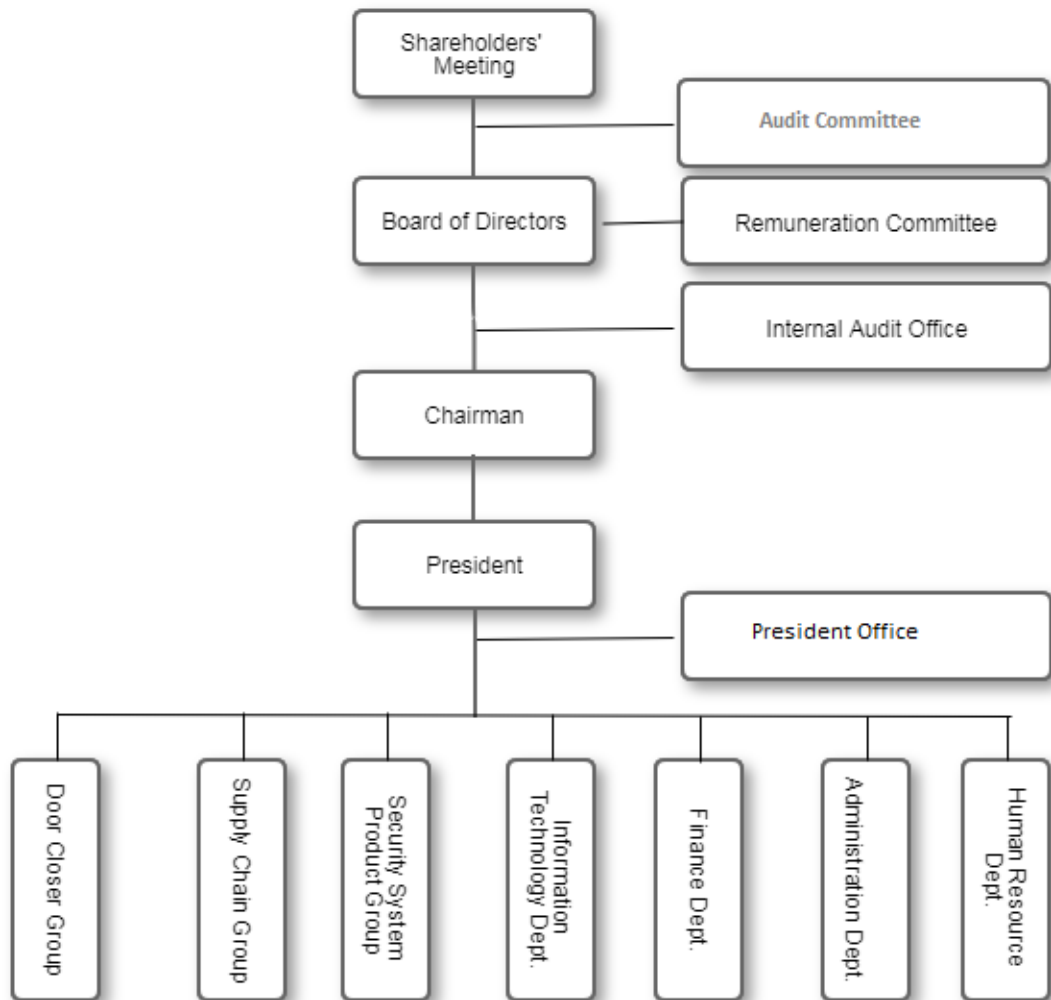
III. Corporate Governance Report

(1) Organization System

1. Organization Chart

Data drawn: Dec. 31, 2020

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



2. Business scope of major business units

Department	Top Executive Officer	Business Scope
Internal Audit Office	Vice Directing Management Officer	To plan and execute the company's audit system.
President Office	President	To plan and analyze the company's operation strategy, management system, labor safety and health, legal affairs, and stock affairs.
IT Department	Manager	Responsible for the company's information engineering system.
Finance Dept.	Chief Finance Officer	Responsible for accounting, taxation, investments, and fund management.

Administration Dept.	Manager	Responsible for facility maintenance, building safety, general affairs administration and employee health promotion.
HR Dept.	Manager	Responsible for human resources, educational trainings, employee performance management, salary management, attendance management and employee relations.
Security System Product Group	Group President	Responsible for the research, development, manufacturing, marketing, and after-sale services of door lock type products and access control systems.
Supply Chain Group	Group President	Responsible for the research, development, manufacturing, marketing and after-sale services of home hardware, auto parts, motorcycle parts, and parts for 3C products.
Door Closer Group	Group President	Responsible for the research, development, manufacturing, marketing, and after-sale services of door closer, door hinge, floor hinge, panic exit devices, and other related products.

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

1. Information on directors and supervisors (1)

Data drawn on Mar. 30th, 2021

Title	Nationality or Place of Registration	Name	Gender	Post Beginning Date	Term of Office	Date of First Elected	Shareholding of Date Elected		Current Shareholding		Current Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Other Post in the Company and other company concurrently	Manager who is a spouse or a relative within two generations		
							Shares Held	Stake	Shares Held	Stake	Shares Held	Stake	Shares Held	Stake			Title	Name	Relation
Chairman	Taiwan R.O.C.	LIN, Jui-Chang	Male	May 28, 2020	3 Years	5/31/1990	1,624,978	0.86%	1,624,978	0.86%	597,576	0.32%	-	-	Soochow University - Accounting	Note 2	Vice President Director Director	CHANG, Jui-Pi LIN, Wen-Hsing LIN, Tzu-Shuan	Spouse Brother Son
Director	Taiwan R.O.C.	CHEN, Chien-Kun	Male	May 28, 2020	3 Years	2/24/1993	675,132	0.36%	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 3	-	-	-

Director	Taiwan R.O.C.	Representative of Hong Cheng Investment Development Co., Ltd.: LIN, Tzu-Shuan	Male	May 28, 2020	3 Years	6/19/2017	5,721,451 (Note 1)	3.04%	5,721,451 (Note1)	3.04%	-	-	-	-	University of Technology Sydney-MBA	Note 4	Chairman Vice President	LIN, Jui-Chang CHANG, Jui-Pi	Father Mother
Director	Taiwan R.O.C.	Representative of Fu Zhi Investment Co., Ltd.: CHU, Jung-Ho	Male	May 28, 2020	3 Years	5/22/1996	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	National SunYat-Sen University - EMBA	Note 5	-	-	-
Director	U.S.A.	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	Male	May 28, 2020	3 Years	6/15/2011	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	Brigham Young University - MBA	Note 6	-	-	-
Director	Taiwan, R.O.C.	Representative of Fu Yuan Investment Co., Ltd: LIN, Wen-Hsing	Male	May 28, 2020	3 Years	4/16/199	2,697,185 (Note1)	1.43%	2,697,185 (Note 1)	1.43%	90,045	0.05%	-	-	Cheng Hsiu University - Engineering	Note 7	Chairman	LIN, Jui-Chang	Brother

Director	Taiwan, R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	Male	May 28, 2020	3 Years	5/31/2005	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	-	-	-	-	National Taiwan University of Science and Technology Graduate Program – Industrial Management	Note 8	-	-	-
Independent Director	Taiwan R.O.C.	CHANG, Ling-Ling	Female	May 28, 2020	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University / Accounting	Note 9	-	-	-
Independent Director	Taiwan R.O.C.	CHEN, Yung-Chun	Male	May 28, 2020	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University/Acc ounting	Note 10	-	-	-
Independent Director	Taiwan R.O.C.	CHO, Yung-Fu	Male	May 28, 2020	3 Years	5/28/2020	0	0%	0	0%	-	-	-	-	National Cheng Kung University – Architecture	Note 11	-	-	-

Note 1: Number of shares held by corporate shareholders.

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

Note 3: Is concurrently the President of the Company.

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

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

Note 6: Is concurrently an Honorary Chairman of Dynasty Petroleum Holdings and a director in Medifast, Inc.

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

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

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

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

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

1. Information on directors and supervisors (2)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder*	Note
Fu Yuan Investment Co., Ltd.	Fu Xun Investment Co., Ltd.	45.75%
	Hong Cheng Investment Co., Ltd.	16.77%
	Lian Guang Investment Co., Ltd.	13.66%
	Sheng You Investment Co., Ltd.	10.43%
Hong He Investment Co., Ltd.	LIN, Chao-Hung	33.30%
	LIN YIN, Li-Wen	33.30%
	LIN, Shao-Chien	33.30%
Fu Zhi Investment Development Co., Ltd.	Fu Xun Investment Co., Ltd.	45.10%
	Hong Cheng Investment Co., Ltd.	16.77%
	Lian Guang Investment Co., Ltd.	13.66%

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

1. Information on directors and supervisors (3)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder	Note
Fu Xun Investment Co., Ltd.	CHANG, Jui-Pi	37.96%
	LIN, Tzu-Shuan	33.02%
	LIN, Tzu-Yang	25.93%
Hong Cheng Investment Co., Ltd.	LIN YIN, Li-Wen	49.64%
	LIN, Chao-Hung	47.74%
Lian Guang Investment Co., Ltd.	LIN, Wen-Hsing	26.88%
	HSU, Mei-Hui	25.00%
	LIN, Chih-Cheng	24.37%
	LIN, Chih-Yu	23.75%
Sheng You Investment Co., Ltd.	LIN, Miao-Chen	33.04%
	LIN, Teng-Tsai	31.30%
	LIN, Chih-Wei	13.91%
	LIN, Ping-Kuan	13.91%

De Li International Investment Co., Ltd.	LIN, Miao-Yin	32.26%
	CHEN, Chen-Yueh	30.65%
	CHEN, Ssu-Chin	19.35%
	CHEN, Ssu-Kai	17.74%

2. Information on directors and supervisors (4)

Name (Note1)	Qualification	Having at least 5 years working experiences and professional qualifications listed below*			Conditions of Independence (Note 2)												Number of concurrent duties in other public companies as independent directors
		At least a lecturer from public or private colleges in business, legal affairs, finance, accounting and other business related fields	Judges, prosecutors, lawyers, accountants, or other business related technical staffs who are holders of professional or specialized vocational certification from state exam	Working experience in business, legal affairs, finance, accounting, or other business related fields.	1	2	3	4	5	6	7	8	9	10	11	12	
LIN, Jui-Chang	-	-	✓	-	-	-	-	✓	✓	-	✓	✓	-	✓	✓	-	
CHEN, Chien-Kun	-	-	✓	-	-	-	-	✓	✓	-	✓	✓	✓	✓	✓	-	
Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Shuan	-	-	✓	-	-	-	-	✓	✓	✓	✓	✓		✓	-	-	
Representative of Fu Zhi Investment Development Co., Ltd.: CHU, Jung-Ho	-	-	✓	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	-	-	

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

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

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

- (8) Not a director (council member), supervisor, manager or shareholder that holds more than 5% of shares of any of the affiliated enterprises that financially or commercially relate to the company.
(Exceptions apply to certain company or institution such as holding more than 20% and less than 50% of the Company's outstanding shares, and independent directors that concurrently serve in the Company and the Company's mother company, or the Company's subsidiaries, or any company of the Company's mother company.)
- (9) Not an individual professional or the owner, partner, director (council member), supervisor, manager, or manager's spouse of an sole proprietorship, partnership, corporation, or institution that provides auditing services to the Company or its affiliated enterprises or such provides operational, legal, financial, or accounting related services to the Company or its affiliated enterprises and obtains less than 500,000 Taiwan dollars as remuneration in the most recent two years. Exceptions apply to members of the Remuneration Committee, Review Committee of Public Tender Offers, or Special Committees for Merger/Consolidation and Acquisition that shall carry out their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a second-degree relative or spouse of other directors.
- (11) No matters related to Article 30 of the Company Act.
- (12) Not being elected from the government, legal person, or its representative as stated in Article 27 of the Company Act

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

Data Drawn on Mar. 30th, 2021

Title	Nationality	Name	Gender	Post Beginning Date (yyyy/mm/d d)	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Post in other company concurrently	Manager who is a spouse or a relative within two generations		
					Shares	Holding %	Shares	Holding %	Shares	Holding %			Title	Name	Relation
President	Taiwan R.O.C.	CHEN, Chien-Kun	Male	1994/01/01	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note	-	-	-
Group President	Taiwan R.O.C.	CHU, Jung-Ho	Male	2008/01/01	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University – EMBA	Note	-	-	-
Group President	Taiwan R.O.C.	LIN, Teng-Tsai	Male	2008/01/01	200,129	0.11%	43,428	0.02%	-	-	National Hsin Hua Industrial Vocational High School – Mechanical Engineering	Note	-	-	-
Vice President	Taiwan R.O.C.	CHANG, Jui-Pi	Female	2010/05/01	597,576	0.32%	1,624,978	0.86%	-	-	Ming Chuan University – International Trade	None	Vice President	LIN, Tzu-Shuan	Mother-Son

Vice President	Taiwan R.O.C	WANG, Han-Ting	Male	2010/05/01	28,439	0.02%	-	-	-	-	National Cheng Kung University – Mechanical Engineering	Note	-	-	-
Director	Taiwan R.O.C	LI, Chen-Hui	Male	2004/10/01	968	-	-	-	-	-	Tung Hai University - Politics	None	-	-	-
Director	Taiwan R.O.C	LIN, Shih-Huang	Male	2012/01/01	40,000	0.02%	-	-	-	-	University of Michigan – Ann Arbor – Doctoral in Machinery	Note	-	-	-
Vice President	Taiwan R.O.C	LIN, Tzu-Shuan	Male	2014/04/01	775,191	0.41%					University of Technology, Sydney - MBA	Note	Vice President	CHANG, Jui-Pi	Mother-Son
Director	Taiwan R.O.C	CHU, Hung-Yang	Male	2014/09/10	23,354	0.01%					Fu Jen Catholic University – International Trade	None			
Director	Taiwan, R.O.C.	LIN, Wen-Yu	Male	01/01/2020	18	0%	90	0%	-	-	National Central University – EMBA, Cross-Strait Management	None	-	-	-

Chief Finance Officer	Taiwan R.O.C.	LI, Kuo-Wei	Male	2015/02/01	2,000	0.001%	-	-	-	-	National Chengchi University - Accounting	Note	-	-	-
Plant Manager	Taiwan R.O.C.	CHUNG, Hsuan-Tung	Male	2004/10/01	2,000	0.001%	-	-	-	-	Aletheia University – Industrial Management	None	-	-	-
Manager of HR Dept.	Taiwan R.O.C.	TSAL, Yen-Fen	Female	2009/01/01	-	-	-	-	-	-	National Cheng Kung University affiliated National Open University and Supplementary Junior College – Business Information	None	-	-	-
Manager of IT Dept.	Taiwan R.O.C.	TSAL, Yu-Kung	Male	2005/09/01	4,020	0.002%	-	-	-	-	Chung Yuan Christian University- Information Management	None	-	-	-

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

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

1. Remuneration paid to directors and independent directors

Unit: NTD1,000

Title		Name	Remuneration paid to directors								Summation of A, B, C and D to NIAT (%) (Note 2)		Relevant remuneration paid to staff holding concurrent posts								Summation of A, B, C, D, E, F and G to NIAT (%) (Note 2)		Remuneration received from investments in other subsidiaries
			Remuneration (A)		Retirement Payment (B)		Director's Compensation (C)		Business Incurred Fees (D) (Note 1)				Salary, rewards, and special fees, etc. (E) (Note 3)		Retirement Payment (F) (Note 4)		Employee's Compensation (G)						
			The Company	All companies in the consolidated report (Note 7)	The Company	All companies in the consolidated report (Note 7)	The Company	All companies in the consolidated report (Note 7)	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report (Note 7)	The Company	All companies in the consolidated report (Note 7)	The Company	All companies in the consolidated report (Note 7)	The Company		All companies in the consolidated report		The Company	All companies in the consolidated report	
Cash Bonus	Stock Bonus	Cash Bonus															Stock Bonus						
Director	Chairman	Note 5	-	-	-	-	15,850	15,850	1,073	1,073	2.05%	2.05%	10,982	12,461	-	-	21,155	-	21,155	-	5.96%	6.13%	None
	Director	Note 6																					
	Director	Note 7																					
	Director	Note 8																					
	Director	Note 9																					
	Director	Note 10																					
	Director	Note 11																					
Independent Director	Independent Director	Note 112	-	-	-	-	2,466	2,466	170	170	0.32%	0.32%	-	-	-	-	-	-	-	0.32%	0.32%	None	
	Independent Director	Note 13																					
	Independent Director	Note 14																					

	<p>1. Please explain company's policy on independent director's remuneration, system, standard, and structure, and state the correlation between remuneration paid to independent directors and his work job responsibility, risk, invested time, and other related factors:</p> <p>The Company's independent directors only receive a fixed remuneration and do not participate in the distribution of director's remuneration. The policy, structure, standard, and composition of such fixed remuneration is mainly made in accordance with the Company's Articles of Incorporation, stated as in Article 26-1 "...the Company shall distribute no more than five percent of the current fiscal year's profit to its directors as remunerations." In addition, factors, such as independent director's impersonal and objective position, dedication to board reviews, and average remuneration standard across the industry, are also taken into consideration in order to provide appropriate renunciation. The related performance evaluation information and the reasonableness of the remuneration are reviewed by the Company's Remuneration Committee and the Board, and maybe re-evaluated at any time according to actual operational situation and current laws and regulations in order to create a balance in-between a sustainable operation and risks management.</p> <p>2. Except for the above disclosure, remunerations paid to directors for providing services (such as serving as a non full-time consultant etc.) to any of the company in the financial reports during the most current fiscal year: None.</p>
	<p>Note 1: Included travelling expense of \$264 thousand dollars.</p> <p>Note 2: NIAT referred to the net earnings after tax of \$823,839 thousand dollars in 2020.</p> <p>Note 3: Included assigned business car expense \$1,194 thousand dollars.</p> <p>Note 4: Was a reserve account for retirement benefits in 2020, which was not yet paid.</p> <p>Note 5: LIN, Jui-Chang</p> <p>Note 6: CHEN, Chien-Kun</p> <p>Note 7: CHU, Jung-Ho, representative of Fu Zhi Investment Co., Ltd.</p> <p>Note 8: Michael A.Hoer, representative of Fu Zhi Investment Development Co., Ltd.</p> <p>Note 9: LIN, Tzu-Shuan, representative of Hong Cheng Investment Co., Ltd.</p> <p>Note 10: LIN, Wen-Hsing, representative of Fu Yuan Investment Co., Ltd.</p> <p>Note 11: LIU, Ju-Shan, representative of Fu Yuan Investment Co., Ltd.</p> <p>Note 12: CHANG, Ling-Ling</p> <p>Note 13: CHEN, Yung-Chun</p> <p>Note 14: CHO, Yung-Fu</p>

Remuneration Range Table

Remuneration range for directors of the company	Name of Director			
	The total of first 4 remunerations (A+B+C+D)		The total of first 7 remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Report H	The Company	All Companies in the Financial Report I
Less than NT\$1,000,000	CHANG, Ling-Ling CHEN, Yung-Chun CHO, Yung-Fu	CHANG, Ling-Ling CHEN, Yung-Chun CHO, Yung-Fu	CHANG, Ling-Ling CHEN, Yung-Chun CHO, Yung-Fu	CHANG, Ling-Ling CHEN, Yung-Chun CHO, Yung-Fu
NT\$1,000,000 (including) ~ NT\$2,000,000 (excluding)	LIN, Jui-Chang CHEN, Chien-Kun	LIN, Jui-Chang CHEN, Chien-Kun		
NT\$2,000,000 (including) ~ NT\$3,500,000 (excluding)	CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.) Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) LIN, Tzu-Shuan (representative of Hong Cheng Investment Co., Ltd.) LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.) Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) LIN, Tzu-Shuan (representative of Hong Cheng Investment Co., Ltd.) LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) LIN, Tzu-Shuan (representative of Hong Cheng Investment Co., Ltd.) LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	Michael A. Hoer (representative of Fu Zhi Investment Development Co., Ltd.) LIN, Tzu-Shuan (representative of Hong Cheng Investment Co., Ltd.) LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)
NT\$3,500,000 (including) ~ NT\$5,000,000 (excluding)				
NT\$5,000,000 (including) ~ NT\$10,000,000 (excluding)				
NT\$10,000,000 (including) ~ NT\$15,000,000 (excluding)			LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.)	LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.)
NT\$15,000,000 (including) ~ NT\$30,000,000 (excluding)	-	-	-	-
NT\$30,000,000 (including) ~ NT\$50,000,000 (excluding)				
NT\$50,000,000 (including) ~ NT\$100,000,000 (excluding)				
NT\$100,000,000 and above	-	-	-	-
Total				

2. Remuneration paid to supervisors

Unit: NTD1,000

Title	Name	Remuneration paid to supervisors						Summation of A, B and C to NIAT (%) (Note 2)		Remuneration received from investments in other subsidiaries
		Remuneration (A)		Compensation(B)		Business Incurred Fees (C) (Note 1)				
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing (Note 3)	-	-	-	-	60	60	0.01%	0.01%	None
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti (Note 3)									
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan (Note 3)									
Note 1: Included travelling expense of \$60 thousand dollars. Note 2: NIAT referred to the net earnings after tax of \$823,839 thousand dollars in 2020 Note 3: Dismissed on May 28, 2020										

Remuneration Range Table

Remuneration range for supervisors of the company	Name of Supervisor	
	The total of first three remunerations(A+B+C)	
	The Company	All Companies in the Consolidated Report D
Less than NT\$1,000,000	LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)	IN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)-
NT\$1,000,000 (including)~NT\$2,000,000 (excluding)		L
NT\$2,000,000 (including)~NT\$3,500,000 (excluding)	-	-
NT\$3,500,000 (including)~NT\$5,000,000 (excluding)	-	-
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	-	-
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	-
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)		
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)		
NT\$100,000,000 and above	-	-
Total		

3. Remuneration paid to President and Vice President

Unit: NTD1,000

Title	Name	Salary(A)		Retirement Payment (B) (Note 1)		Rewards and Special Fees, etc... (C) (Note 2)		Employee's Compensation (D)				Summation of A, B, C and D to NIAT (%) (Note 3)		Remuneration received from investments in other subsidiaries
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
President	CHEN, Chien-Kun	14,349	15,828	628	628	1,036	1,036	25,501	-	25,501	-	5.04%	5.22%	None
Group President	LIN, Teng-Tsai													
Group President	CHU, Jung-Ho													
Vice President	CHANG, Jui-Pi													
Vice President	WANG, Han-Ting													
Vice President	LIN, Tzu-Shuan													
Note 1: Was a reserve for retirement benefits in 2020, which was not yet paid. Note 2: Included assigned business car expense \$1,036 thousand dollars. Note 3: NIAT referred to the net earnings after tax of \$823,839 thousand dollars in 2020														

Remuneration Range Table

Remuneration range for President and Vice President of the company	Name of President and Vice President	
	The Company	All Companies under the Consolidated Report E
Below NT\$1,000,000	-	-
NT\$1,000,000 (including)~NT\$2,000,000 (excluding)		
NT\$2,000,000 (including)~NT\$3,500,000(excluding)		
NT\$3,500,000 (including)~NT\$5,000,000 (excluding)	LIN, Tzu-Shuan/WANG, Han-Ting	LIN, Tzu-Shuan/WANG, Han-Ting
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	CHEN, Chien-Kun/LIN, Teng-Tsai/CHANG, Jui-Pi	CHEN, Chien-Kun/LIN, Teng-Tsai/CHANG, Jui-Pi
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	CHU, Jung-Ho	CHU, Jung-Ho-
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)		
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)		
NT\$100,000,000 and above	-	-
Total		

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

Fiscal Year 2020 / Unit:NTD1,000

	Job Title (Note 1)	Name (Note 1)	Amount of Stock Compensation	Amount of Cash Compensation	Total	Total Amount in % out of NIAT (%) (Note 2)
Managers	President	CHEN, Chien-Kun	-	28,400	28,400	3.45%
	Group President	CHU, Jung-Ho				
	Group President	LIN, Teng-Tsai				
	Vice President	CHANG, Jui-Pi				
	Vice President	WANG, Han-Ting				
	Vice President	LIN, Tzu-Shuan				
	Director	LI, Chen-Hui				
	Director	CHU, Hung-Yang				
	Director	LIN, Wen-Yu				
	Director	LIN, Shih-Huang				
	Plant Manager	CHUNG, Hsuan-Tung				
	Chief Finance Office	LI, Kuo-Wei				
	Note 1: Scope of manager type of rank is defined below following the regulations states on Correspondence Tai-Cai-Zheng-San-Zi:0920001301 issued on Mar. 27 th , 2003.					
(1) President and of the same rank						
(2) Vice President and of the same rank						
(3) Director and of the same rank						
(4) Supervisor in the Finance Dept.						
(5) Supervisor in the Accounting Dept.						
(6) Other competent persons that are responsible for handling the Company's administration issues with signature rights						
Note 2: NIAT referred to the net earnings after tax of \$823,839 thousand dollars in 2020						

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

Title	Proportion of net profit distributed to the company's directors, supervisors, President and vice President in the 2020 company report and consolidated report .	Proportion of net profit distributed to the company's directors, supervisors, President and Vice President in the 2019 company report and consolidated report .
Directors	6.45 %	5.77 %
Supervisors	0.01 %	0.55 %
President & Vice President	5.22 %	4.44 %

- A. The Company's independent directors only receive fixed remuneration and do not participate in the distribution of director's remuneration. With regard to other director's remuneration, according to the Article 26-1 of Articles of Incorporation, remunerations paid to directors should be distributed based on the principle of not higher than five percent of the current year's product, and should also take the Company's operating results and director's contribution to the Company's performance into consideration.

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

The aforementioned bonus formula and principle mainly refers to the bonus maybe adjusted while taking into the considerations of the Company's operational results per year, manager's position and performance, as well as manager's responsibility scope.

Total remunerations paid to the company's Chairman, President, and Vice President includes the basic salary, allowance for additional duty and meal. The strategy to set and pay the remuneration is based on the Company's "Manners to manager employee post structure and salary", while is also considering the remuneration level in this industry, the scope of power and responsibility, contribution made to achieve the Company's operational goal. The salary is calculated based on education background, work experiences, work performance, contribution level, and seniority. A year-end bonus is distributed based on the company's operation performance, which includes financial indexes, such as the Company's sales result, and the achievement level of the Company's net profit before and after tax, and non-financial indexes, such as law compliance of the department and major deficiency in relation to operational risks, of the year.

The procedures to calculate director's remunerations should consider not only the Company's overall business performance, risks and development trends in the industry, but also personal performance achievement and personal contribution to the Company's operation performance to provide reasonable compensations. The performance evaluation and the reasonableness of compensation both are verified by the Company's Remuneration Committee, which reviews the Company's actual operation situation and related laws and regulations at all times to manage and balance the goals of sustainable operation and risk management.

(4) Corporate governance practices

1. Information relating to the Operation of Board of Directors

During the fiscal year 2020, 6 Board Meetings were conducted. The name lists of the attendees are as follows

Title	Name	Attendance in Person	Attendance in proxy	Actual Attendance Rate (%)	Remarks
Chairman	LIN, Jui-Chang	6	0	100%	
Director	CHEN, Chien-Kun	6	0	100%	
Director	Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Shuan	5	0	83%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: CHU, Jung-Ho	6	0	100%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	6	0	100%	
Director	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	3	0	100%	Newly appointed on May 28, 2020
Director	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	3	0	100%	Newly appointed on May 28, 2020
Independent Director	CHANG, Ling-Ling	6	0	100%	
Independent Director	CHEN, Yung-Chun	6	0	100%	
Independent Director	CHO, Yung-Fu	3	0	100%	Newly appointed on May 28, 2020

Other things should be noted:

1. According to Article 14-3 of the Securities and Exchange Act, if an independent director has a dissenting opinion or qualifying opinion and such opinion was recorded or taken down as written statements, the date of Board of Directors Meeting, term, all independent directors' opinions in the resolutions and the company's reaction to the independent's opinions should be addressed:

Date of the Meeting in 2020 (mm/dd/yyyy)	Important Resolution	Opinion of the Independent Directors	React to Independent Director's Opinions
1 st Meeting on 01/16/2020	To review 2020 operational plans and goals	Approved	Not Applicable
	To discuss on the 2019 Board of Director's performance evaluation results	Approved	Not applicable

	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2019"	Approved	Not applicable
	To review "2019 Remuneration Paid to Managers and Employees"	Approved	Not Applicable
2 nd Meeting on 03/9/2020	To adopt the 2109 business report and financial statements	Approved	Not Applicable
	To resolve on the 2019 earnings distribution	Approved	Not Applicable
3 rd Meeting on 05/7/2020	To bring to discuss the plan to adjust China sub-companies' annual audit measure in 2020	Approved	Not Applicable
4 th Meeting on 05/28/2020	The first Board Meeting after a complete re-election of board members, in which current term's chairman of the Board was elected	Approved	Not applicable
	To bring to discuss the establishment of the Company's Audit Committee	Approved	Not Applicable
5 th Meeting on 08/06/2020	To bring to discuss the re-election of the Company's Remuneration Committee	Approved	Not Applicable
6 th Meeting on 11/6/2020	To bring to discuss to amend "Work Procedures to Loan Funds to Others"	Approved	Not Applicable
	To bring to discuss 2021 Audi Plan	Approved	Not Applicable

2. The implementation to avoid motions with matters bearing on director's personal interests. Name of director, contents of the motion, reasons to avoid conflicts of interests, and the voting situation:

While was reviewing the proposal of "Total Remunerations pad to Employees, Directors and Supervisors" and "Remuneration paid to Managers and Employees", LIN, Jui-Chang, CHEN, Chien-Kun, CHU, Jung-Ho, Michael A.Hoer, and LIN, Tzu-Shuan, as the Company's directors and have conflicts of interest with the representing juridical company all refused the involvement in the voting according to related laws and regulations.

3. The goal and implementation of enhancing Board of Director's function in the most recent fiscal year (ex. setting up audit committee, enhancing information transparency, etc...):
1. Directors to pursue further education: all the Company's directors took self-advancing courses, such as to take courses and seminars held by UBS, Department of Accountancy and Graduate Institute of Finance of NCKU, Accounting Research and Development Foundation, Securities & Futures Institute, The Institute of Internal Auditors-Chinese Taiwan, Taiwan Corporate Governance Association, and Taiwan Stock Exchange, to continuously obtain new knowledge and achieve better results in interactions and sharing. The total directors' training hours in 2020 were 66 hours.
 2. To promote information transparency: according to Article 14-6 of the Securities and Exchange Act, Remuneration Committee was established and its operation and administration standard was added in the company's internal control system. Upholding the spirits of transparent operation and shareholder's right maintenance, the Company created the sections of "Shareholder's Special Column", "Social Responsibilities", and

“Corporate Governance” on the Company’s website to provide real-time information to the public. In addition, institutional investor’s conferences are regularly planned and held too.

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

4. The execution of Board Evaluation

Evaluation Frequency	Evaluation Period	Scope of Evaluation	Measures of the Evaluation	Evaluation Contents
Once Per Year	1/1/2020 ~ 12/31/2020	1. Assess the overall Board performance	Internal assessment	1. The participation level in the Company’s operation 2. The enhancement of the Board’s strategy-making quality 3. The composition and structure of the Board 4. The election and continuing education of the board members 5. Internal control
		2. Assess individual board member’s performance		1. The control on Company’s goal and assignment 2. The awareness of director’s responsibilities 3. The participation level in the Company’s operation 4. The management and communication of internal relationship 5. Director’s professionalism and continuing education 6. Internal control
		3. Assess functional committee’s performance		1. The participation level in the Company’s operation 2. The awareness of functional committee’s responsibilities 3. The enhancement of functional committee’s strategy-making quality 4. The composition and member-selection of the functional committee 5. Internal control

5. The implementation of board member diversification:

Diversified Core Skills

2. Information relating to the operation of Auditing Committee: major work summary of the current year by the Company's Audit Committee and the operational situation are as below:

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

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

superintendents

◆ The implementation situation of Audit Committee

2) Review of financial reports

The Audit Committee have examined the company's operation report and motions of earnings distribution along with the company's financial reports and the consolidated financial reports that were audited and signed by Accountants, WANG Kuo-Hua and WU Chien-Chih, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2020, and found them in order.

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

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

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

4) The Company set up the Audit Committee on May 28th, 2020. The convener, CHANG Ling-ling, called 2 meetings in the year of 2020. Members participation status are listed below:

JOB TITLE	NAME	NUMBER OF ACTUAL ATTENDANCE	NUMBER OF ATTENDANCE BY DELEGATING OTHERS	ACTUAL PARTICIPATION RATE (%)	REMARK
Convener	CHANG, Ling-ling	2	0	100%	
Committee Member	CHEN, Yung-Chun	2	0	100%	
Committee Member	CHO, Yung-Fu	2	0	100%	

Other matters required to be recorded:

1. Should the operation of audit committee have any of the following situation, matters including the date of the Board Meeting, the period, content of the motion, audit committee's resolution results, and how the Company's reacts to audit committee's opinions should be recorded.

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

Board Meeting	Contents of Proposal and the Subsequent Action	Matters set up in Article 14-5 of Securities and Exchange Act	Proposal not approved by the Audit Committee, but has resolved by more than 2/3 of directors
2020 1 st meeting 8/6/2020	Proposal to approve 2020 Q2 financial report	✓	
	The operational status of derivative products	✓	
	The resolution result by the Audit Committee (Aug. 06, 2020): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: proposal approved by all the presenting directors.		
2020 2 nd meeting 11/6/2020	Proposal to approve 2020 Q3 financial report	✓	
	Proposal of the 2020 Q3 Audit Report	✓	
	The operational status of derivative products	✓	
	Discussion to amend "Work Procedures to Loan Funds to Others"	✓	
	Discussion to add internal control procedure and internal audit work in relation to the "Management of the Operation of Audit Committee"	✓	
	Discussion to amend partial articles of the Company's "internal control system" and "internal audit implementation rules"	✓	
	Discussion on the 2021 audit plan	✓	
	The resolution result by the Audit Committee (Nov. 06, 2020): Approved by all the members in the Audit Committee.		
	Reactions taken by the Company to cope with Audit Committee's opinions: proposal approved by all the presenting directors.		

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

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

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

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

- b) The Company convenes Board of Directors Meeting each quarter and invites independent directors and auditing superintendent to attend the meeting. Superintendent of the audit team will present to report the internal audit operation status.
- c) The certifying accountant also report to independent directors with respect to the Company's financial situation, domestic and foreign sub-companies' financial situation and overall operation status, and the audit on the Company's internal control at least once each year, and will also carry out thorough communication with regards to whether there are major adjusting entries or whether legal amendments may affect accounting transactions.
- d) Usually accountants and audit superintendent contact and communicate with independent directors, while there is necessary. The communication is well-achieved.

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

Date	Matters	Content of Communication	Communication Result
11/6/2020	1. Illustration of 2020 Q3 audit result	No major abnormalities found: Only that the audit discovered a few trivial, occasional, low-risk operational negligence that were not caused by poor design of an internal control system and did not bring material losses to the Company. The Company brought in the form, "Response and Improvement to Audit Discovery" for the inspected unit to self-inspect, review and elaborate corresponding corrective works.	No opinion
	2. Plan and elaborate on 2021 Audit Plan	(1) It is planned 93 audit items in 2021 Audit Plan.	No opinion
		(2) Individual companies to be audited include: 10 sub-companies, including Ziyong Taichang, ARCTEK, Formflex Changshu, Fortune Packing, Fortress, Fortress Door Control, Arctek Industrial, Hundure, Tong Hsing, and Sunion.	
		(3) Request the above-listed 10 sub-companies to execute self-audit each quarter in the light of major audit items, and submit self-audit report to Audit Team for review, summarization and submission.	
	3. Other issues	TWSE carried out an on-site audit on Oct. 14, 2020 and issued an correspondence to remind matter need attention: Work procedure, the audit report is sent to the Chairman after being verified and signed by the President, is not compliant to Article 11-1 of "Regulations Governing Establishment of Internal	No opinion

		Control Systems by Public Companies". Audit report should not be sent to the superintendent of an operational unit (the President) for verification and signing → violating the independence of an audit. The matter has been corrected on Oct. 15, 2020.	
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6) Summary table of the communication between independent directors and the accountants:

Date	Matters	Content of Communication	Communication Result
3/5/2020	1. 2019 Consolidated Report and Individual Financial Report	(1) Communication with the Governance Unit with regard to the audit results (2) Regarding major financial and operational matters	No opinion
	2. Updates on current laws and regulations	(1) Correspondence to enhance financial report's self-compiling ability (2) Amendment on the basis to appoint legal reserve (3) Measures of substantial investment to be deducted from undistributed earnings and the related tax-refund application	
11/4/2020	1. 2020 Q3 Consolidated Financial Report	(1) Major financial and operational matters (2) Communication with the Governance Unit with regard to the planning of annual audit	No opinion
	2. Updates on current laws and regulations	(1) The filing and release of English version Shareholders' Meeting related information by listed companies (2) Corporate Governance 3.0 - a blueprint for sustainable development	

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

During the fiscal year 2020, 6 Board Meetings were conducted. The name lists of the attendees are as follows:

Title	Name	Attendance in Person	Actual Attendance Rate (%)	Remarks
Supervisor	Representative of Fu Yuan Investment Co., Ltd.:	3	100%	Dismissed on May 28, 2020

	LIN, Wen-Hsing			
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	3	100%	Dismissed on May 28, 2020
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	3	100%	Dismissed on May 28, 2020

1. Composition and duty of supervisors:

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

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

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

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

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

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

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
1. Whether the company establishes and discloses corporate governance principles following the regulated "Corporate Governance Best Practice Principles for TWSE/GESM Listed Companies"?	✓		The Company has set up its own "Rules for Corporate Governance Practices" in accordance with the "Corporate Governance Best Practice Principles for TWSE/GESM Listed Companies" and the rules have disclosed on the Company's website (http://www.fuhsing.com.tw/exec/msg.php?mid=66&cid=44&pid=66&lg=T) and the MOPS site.	No significant divergence
2. Regarding the company's share structure and stockholder's equity				
A. Whether the company sets up internal work procedures to handle suggestions, questions, disputes and lawsuits with shareholders, and whether the procedures are implemented accordingly?	✓		A. The company has appointed spokesperson and acting spokesperson to deal with shareholders' suggestions and disputes, etc... and also set up a Stock Affair Section to deal with shareholder related issues.	No significant divergence
B. Whether the company holds the information on the company's major shareholders with controlling interests and the ultimate controlling parties that stand behind the major shareholders?	✓		B. The shareholding of the company is quite centralized. Besides, the company does pay attention to the company's securities trading status in the market all the time.	
C. Whether the company establishes and implements rules for	✓		C. The company has already established related rules in the company's	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<p>risk management with affiliated companies and builds the firewall mechanism?</p> <p>D. Whether the company establishes internal regulations to prohibit insiders from utilizing un-disclosed information to purchase/sell securities?</p>	✓		<p>internal control system according to laws and regulations.</p> <p>D. The company has set up “Work Procedures to Handle Significant and Important Information” and regularly propagated precautions of insider transactions.</p>	
<p>3. Composition and duties of Board of Directors</p> <p>A. Whether the company sets up rules for the diversity of the members of Board of Director and whether the rules are truly implemented?</p>	✓		<p>A.</p> <p>1. The company has made a plan for the diversification of board members and has been reported to and actually carried out the plan in the Board of Directors’ Meeting. The nomination and election of the Company’s Board members all followed the rules stated on the Company’s Articles of Incorporation and took candidate’s educational and career background into consideration to ensure the diversity and independency of the Company’s Board members.</p> <p>2. The board members elected this term included</p> <ul style="list-style-type: none"> - a female member; - good at operation & management: LIN, Jui-Chang, CHEN, Chien-Kun, CHU, Jung-Ho, LIN, Tzu-Shuan, and LIN, Wen-Hsing; - good at electronic technology, risk management, and vision on international market: LIN, Jui-Chang, CHU, Jung-Ho, Michael A. Hoer, 	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>and LIU, Ju-Shan;</p> <p>- has made contribution to social care: LIN, Jui-Chang and Michael A. Hoer</p> <p>- good at financial accounting and other related affairs: 3 independent directors.</p> <p>3. The Company's Board of Directors currently is composed of 10 directors, including 7 general directors and 3 independent directors. The members have rich experiences and professions in finance and accounting, business, management and others. Among all the directors, 40% of the directors are company's employees, 30% of the directors are having the position as independent directors and 10% of directors are female. 3 independent directors have been served as independent directors for less than 9 years, 8 directors are in the age between 61-70 years old, and 2 is under 60 years old. The Company pays special attention on gender equity and has set the target to increase the female director to more than 10% of total number of directors. It is expected that in 2021 when the Company re-elects directors, the achievement of such goal will be maintained.</p> <p>4. Policies in relation to the diversity of the board members are</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<p>B. Besides setting up Remuneration Committee and Audit Committee according to laws and regulations, whether the company voluntarily sets up other similar kinds of functional committee?</p> <p>C. Whether the company sets up Board of Director's performance evaluation rules and method, carries out the evaluations regularly each year, reports the evaluation results to the Board Meeting, and uses the results as references to evaluate each director's salary and remuneration, as well as his/her qualification as candidate to the successive post as directors?</p> <p>D. Whether the company periodically evaluates the independence of the company's certifying accountant?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>disclosed on the Company's website.</p> <p>B. The company has not yet set up other similar kinds of functional committee, but such is under planning.</p> <p>C. The company has established Board of Director's performance evaluation rules and method. Each year, the Company carries out regular assessments on director's performance and reports the results to the Board Meeting and, at the same time, discloses on the Company's Website. The Company assesses each director's confidence in achieving the Company's goals and mission, as well as his/her participating level in the Company's operations each year and applies the assessing results to calculate each director's salary and remunerations, as well as his/her nomination qualification for director's post renewal.</p> <p>D.</p> <p>1. According to Article 29 of the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and the company's "Methods for evaluating the independence of</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>the CPAs”, the company evaluates the independence of certifying accountants regularly each year.</p> <p>2. After carrying out the following evaluation procedures, the certifying accountants’ independence and competency have met the related regulations. The company has submitted the evaluation result to the Board of Director’s Meeting on January 29, 2021.</p> <p>(1) Obtain accountant’s independence statement</p> <p>(2) Review years of continuing implementation as a certifying accountant in the company</p> <p>(3) Request certifying accountant to fill out a competency questionnaire. The questionnaire results are evaluated and summarized.</p> <p>✓ Whether the certifying accountant is a director of the Company or in its affiliated company?</p> <p>✓ Whether the certifying accountant is a shareholder of the Company or its affiliated company?</p> <p>✓ Whether the certifying accountant receives remunerations from the Company or its affiliated company?</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<ul style="list-style-type: none"> ✓ Whether the certifying accountant confirms his accounting firm has complied with regulations associated to independency? ✓ Whether the certifying accountant's accounting firm has joint certified accountant that serves as the Company's director, manager, or other posts that might have significant influence to the Company's audit practices within a year of his retirement from the accounting firm? ✓ Whether the certifying accountant has been providing audit services for the Company for continuous seven years? ✓ Whether the certifying accountant complies with the independency requirement stated in the No.10 of the "Norm of Professional Ethics of the Certified Public Accountant"? 	
4. Whether the Company establishes proper and enough corporate governance personnel(s) and appoint a supervisor to be responsible specifically for corporate governance related affairs (including but not limited to provide information required for	✓		The Company has assigned appropriate numbers of CG related personnel, and have sought for approval in the Board Meeting to appoint CFO, LI Kuo-Wei, a qualified manager and has worked as a supervisor position in the Finance Dept. in a listed company for more than 3 years to serve as the	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
directors/supervisors to execute business issues, to assist directors and supervisors in law-compliance issues, to handle Board Meeting and Shareholders' Meeting related affairs, to make meeting minutes of the Board of Directors' Meeting and Shareholders' Meeting, etc...)?			<p>Company's Governance supervisor to provide directors with necessary information for executing their duties, assist directors to be in compliance with the laws and regulations, and to handle Board of Directors meeting and Shareholders' Meeting related affairs in accordance with laws and regulations.</p> <p>Issues executed by the governance superintendent in 2020 as below:</p> <p>A. Assisted independent directors and general directors to execute their duties, provided them with necessary information and arranged training sessions for directors:</p> <ul style="list-style-type: none"> i. Notify board members related amendments and developments in light of the Company's operation area and corporate governance laws and regulations; ii. Review the confidential level of classified information and provide directors with necessary information in relation to the company to maintain a good and smooth communication between directors and all the Company's supervisors. iii. Assist independent directors to meet with internal supervisors and certifying CPAs on 3/5/2020, 11/4/2020, and 11/6/2020 respectively to understand the Company's financial situation. iv. Plan and arrange annual educational courses for general 	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>directors and independent directors based on the Company's industry characteristics and each director's education background and work experiences.</p> <p>B. Provided assistance in handling the procedures in the Board of Directors' Meeting and Shareholders' Meeting and evaluated resolution compliance issues:</p> <p>i. Report the operation situation of the Company's corporate governance to board of directors, independent directors, audit committee and confirm whether the convention of Board of Directors' Meeting and Shareholders' Meeting meet related regulations and corporate governance rules.</p> <p>ii. Assist and remind directors to follow related regulations when is executing their duties or making official resolutions in the Board Meeting, and make suggestions on going-to-be law-violated resolutions in the Board Meeting.</p> <p>iii. Inspect and review the disclosure of important resolutions made in the Board Meeting and ensure the legality and accuracy of such material information disclosure's contents to make sure information equality for investor transactions.</p> <p>C. Maintained the relationships with investors: when it is necessary, help</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>arrange communication between directors and major shareholders, institutional investors, or general shareholders, so that investors are able to obtain sufficient information to evaluate the Company's reasonable market value and maintain shareholder's right.</p> <p>D. Plan the agenda in the Board Meeting and notify all directors at 7 days prior to the meeting; convene the meeting and provide meeting information; remind directors if any proposals may have conflict of interest concerns; complete meeting minutes within 20 days after the Board Meeting is convened.</p> <p>E. Complete all the pre-meeting disclosures in relation to Shareholders' Meeting, compile meeting notification in, handbook, and minute book within regulated time period, and handle the registration affairs in relation to the amendments of the Articles of Incorporation or Re-election of directors.</p> <p>Training session attended in 2020 as below:</p> <p>Seminars held by the Accounting Research and Development Foundation for a total of 9 hours:</p> <p>*Corporate Governance Practices session in the "Latest Labor Law News": Impacts and Responses to the newly released "Labor Incident Act".</p> <p>*"Hot Topics in relation to Taiwanese homecoming entrepreneurs": the</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			latest accounting and taxation policies in relation to homecoming Taiwanese entrepreneurs and the analysis on real cases **"Economic Crimes, Key Evidences": Evidence's effectiveness and law responsibilities in economic crimes.	
5. Whether the Company establishes communication channels with interested parties (including but not limited to the Company's shareholders, employees, customers, and suppliers), and whether the company constructs a web site for interested parties on the company's website and properly answers all the important CSR related questions arising from interested parties?	✓		The company has and maintains good communications with its banks, creditors other than banks, employees, customers, and suppliers. Meanwhile, the company has built a web page (www.fuhsing.com.tw) for interested parties (in Chinese) under the section of Social Responsibility. We do respect all's legitimate rights and interests.	No significant divergence
6. Whether the Company entrusts professional stock affairs agency to handle Shareholder's Meeting related affairs?	✓		The company entrusts "Capital Securities Corporation" as our agency of stock affairs to handle all Shareholders' Meeting related affairs.	No significant divergence
7. Information Disclosures				
A. Whether the company constructs a website and discloses information about the company's financial and corporate governance?	✓		A. The company has a company website (www.fuhsing.com.tw) . Under the Investor Relations section, one can inquire about the company's financial, annual reports and share prices. Under the Products section, pictures of our products are also exhibited.	No significant divergence
B. Whether the company adopts other methods to disclose the company's information (such as constructing English	✓		B. The company has assigned a staff to collect and disclose the company's information and truly carries out the spokesman system. The Company also held conferences with investors and disclosed the	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<p>website, assigning a staff to collect and disclose the company's information, truly carry out spokesman system, put road show information and contents on the company's website, etc...)</p> <p>C. Whether the Company discloses and files the year's financial statement with the authorities within two months of the end of accounting year, and whether the company early discloses and files its Q1, Q2 and Q3 financial reports and monthly operational results before the regulated deadline?</p>		✓	<p>contents of such conferences at the Company's website (www.fuhsing.com.tw).</p> <p>C. Currently the Company files its financial reports and monthly operational status with the authorities before the regulated deadlines in accordance with "List of Matters Required to Be Handled by Issuers of Listed Securities". The Company has not yet disclosed and reported its year-end financial statement within two months after the end of its accounting year, and had early disclosures before the regulated deadlines.</p>	
<p>8. Whether the company has other important information that might help understand the operation of corporate governance (including but not limiting to information regarding to employees' rights, the consideration for employees, investor relationship, supplier relationship, relationship with interested parties, director and supervisor's further education pursuit, risk management policy and risk measurement implementation, customer policy, insurance procured for directors and supervisors, and etc...)</p>	✓		<p>1、The company encourages employees to communicate directly with the management to properly reflect their suggestions on important decisions regarding the company's operation or employee's benefit.</p> <p>2、On the company's website (www.fuhsing.com.tw), information about the company, corporate social responsibility, products, investor relationship, join us (recruiting information), supplier platform are listed in separate sections. Also our contact information including emails, telephone number, and address can be found on the website.</p> <p>(1) The company has established an e-filing work system to provide</p>	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>investors and interested parties with information that might affect their decision.</p> <p>(2) The company's directors attend educational training from time to time.</p> <p>(3) Risk management policy and the implementation of risk measurement: Not applicable (this is for securities brokers).</p> <p>(4) Consumer protection or the implementation of customer policy: Not applicable (this is for securities brokers).</p> <p>(5) The company has purchased liability insurances for directors.</p>	
<p>9. Whether the Company provides explanations on the process of improvement on the corporate governance assessment result published by the TWSE Corporate Governance Center and provide prioritized issues and measures for areas that have not been improved? (Companies that are not included in the assessed companies do not fill in this section.)</p> <p>To explain the improvements in 2020 based on the result of the most current year's corporate governance assessments as below:</p> <ol style="list-style-type: none"> 1. Convened Shareholders' Meeting before the end May of the year under evaluation. 2. Added one independent director seat and established compliance Audit Committee to replace the power of supervisors and execute relevant powers. 3. Established an Intellectual Property Management Plan that connects to the Company's operational goal; submitted the annual execution result to the Board and disclose on the Company's website. 4. The appointment, dismissal, evaluation, and remuneration consideration of internal audit personnel was signed and submitted by the supervisor of the audit team for verification by the Chairman. 5. Financial report is approved by the Board of Directors or was reported to the Board of Directors 7 days prior to its release to the public, and the financial report was released to the public within 1 day after being approved or being submitted to the Board of Directors. 6. The Corporate Social Responsibility report was compiled in accordance with the GRI guidance before the end of September and was disclosed on TWSE's MOPS website, as well as the Company's website. 				

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

(1) Members of the Remuneration Committee

Identity (Note 1)	Condition Name	Having at least 5 years working experiences and professional qualifications listed below			Conditions of Independency (Note 2)										Number of concurrent duties in other public companies as independent directors	Remarks
		At least a lecturer from public or private colleges in business, legal affairs, finance, accounting and other business related fields	Judges, prosecutors, lawyers, accountants, or other business related technical staffs who are holders of professional or specialized vocational certification from state exam	Working experience in business, legal affairs, finance, accounting, or other business related fields.	1	2	3	4	5	6	7	8	9	10		
Other	CHEN, Chin-Chi		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Dismissed on May 28, 2020
Independent Director	CHANG, Ling-Ling		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	CHEN, Yung-Chun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	CHO, Yung-Fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly appointed on Aug. 06, 2020

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

(2) The Operation of the Remuneration Committee.

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

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

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

Title	Name	Attendance in Person (B)	Attendance in Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	CHANG, Ling-Ling	2	0	100%	-
Member	CHEN, Chin-Chi	1	0	100%	Dismissed on May 28, 2020
Member	CHEN, Yung-Chun	2	0	100%	-
Member	CHO, Yung-Fu	1	0	100%	Newly appointed on Aug. 6, 2020

Other matters that should be noted:

1. If the Board of Directors do not accept or intent to modify suggestions made by the Remuneration Committee, then date of Board of Director's Meeting, term, content of the motion, resolutions, and reactions to the suggestions made by the members of Remuneration Committee should also be addressed (If the remuneration proposal approved by the Board of Directors is better than the proposal suggested by the Remuneration Committee, the divergence and the reason should also be addressed).
2. For motions that are determined by the Remuneration Committee, if committee members hold objective or withholding comments and such comments are recorded or taken down as written statement, then date of the meeting of Remuneration Committee, term, content of motions, all committee members' opinions and the reactions to the suggestions should also be addressed.

Date of the Meeting of Remuneration Committee/Term & Date (mm/dd/yyyy)	Proposals & Follow-ups	Resolution	How the Company cope with the opinion submitted by the Remuneration Committee
Term 3 /7 th Meeting (01/16/2020)	Regular review of "Taiwan Fu Hsing Industrial Co., Ltd. Manager's Remuneration Policy"	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors
	Regular review of "Manager's Remunerations and Salary Adjustment Plan"	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors
	The review of "2019 Total Remunerations paid to employees, directors and supervisor"	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors

		The Review of “2019 Remunerations paid to manager and employees”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
	Term 4 / 1 st Meeting (11/06/2020)	Review of the proposal to adjust the remunerations paid to managers	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
		The Review of “Mid-Autumn Festival holiday bonus in relation to the President and managers”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	
		Regular Review the Company’s policy in relation to the Salary paid to Directors	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors	

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

List of <u>Assessments</u>	Implementation Status (<u>Note 1</u>)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
1. Whether the Company carries out risk assessments in relation to topics including operational related environment, society, and corporate governance, and establishes related risk management policies or strategies based on the principle of materiality? (Note 3)	✓		Referring to AA1000SES (AA1000 Stakeholder Engagement Standards), every year the Company collects topics that might be of stakeholders' interests through various communication channels such as periodicals review, company's regular morning meetings and voices from shareholders' meetings, and, meanwhile, assesses the degree of impacts that may be caused by these factors in order to define the Company's year-round goals and important topics. Hence, the Company is able to implement an all-aspects risk assessment in relation to its production, human resources, and R&D directions, and further make according managerial policies.	No significant divergence
2. Whether the company sets up a unit that is exclusively (or concurrently) responsible for promoting the corporate social responsibility in the company, and such unit should be in charged by high level management empowered by the Board of Directors and reporting directly to the Board of Directors?	✓		The Company officially set up SER Promoting Committee in December 2013. The Committee was under the jurisdiction of the Board and was equipped with six functional teams that are respectively responsible for corporate governance, employee harmony, supply chain support, sustainable environment and safety, society integration, and green promotion. One execution administrator was appointed to lead the operation of afore-mentioned teams. Besides compiling the SER execution	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
			<p>booklet and SER acknowledgement, the Committee is also responsible for convening meetings (in every 4 months), as well as making, promoting, auditing, reviewing, and improving the Company's social and environment policies. The promotion and execution results of the related policies were acknowledged and approved by the board of directors. In addition, the Committee also released a CSR report every year and disclosed the report on the Company's website for lookup and download by all interested parties in order to ensure the effects of the implementation of CSR policies.</p> <p>Besides equipping with one execution member, the "SER Promoting Committee" also contains 8 major functional units in various professional fields to be responsible for collecting interested party related issues, establishing implementation plans, executing, reviewing and making improvements in accordance with the operational cycle of PDCA to support the Company in the progress of sustainable development.</p>	
<p>3. Environment Related Topics</p> <p>(1) Whether the Company establishes a proper environment management system based on the industry characteristics? ✓</p> <p>(2) Whether the Company devotes to enhancing the utilization efficiency of all the resources and adopts recycled materials that ✓</p>			<p>(1) The Company promoted 14001:2015 environmental management systems and had obtained approval in the 2020 inspection.</p> <p>(2) The Company considers risk control factors for the environment based on ISO14001 environment management system and uses this</p>	No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
cause less impact to the environment?			<p>to establish improvement goal and management policies in order to continuously make improvements. In 2020, the Company carried out the following projects to improve the efficiency of resources utilization:</p> <ol style="list-style-type: none"> Energy saving projects: <ol style="list-style-type: none"> The replacement of energy-saving lighting apparatus Replaced mechanical air compressor with highly efficient air compressor to effectively promote air compressor's efficiency and obtain economic benefits Wastage reduction project: educated employees to have better resources recycle awareness and prevent excess waste of resources. Truly carry out the concept of "never discard a thing that can be recycled". The achievement rate was 100% in 2020. 	
(3) Whether the Company assesses current and future's implicit risks and opportunities in relation to climate changes, and adopts relevant countermeasures?	✓		(3) The Company assess climate changes related potential risks every year and adopts relevant countermeasures. The related information can be found in the Company's CSR report in the section of "About Taiwan Fu Hsing → Risk Management.	
(4) Whether the Company compiles statistics in relation to the past 2 years' green gas emission and total wastage, and establishes policies to save energy, reduce carbon emission and greenhouse	✓		(4) The Company inquires into the greenhouse emissions based on the greenhouse gas check and report principle announced by the Environment Protection Administration, Executive Yuan R.O.C., and	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
gas, and lower water usage and other wastage?			discloses the information voluntarily in the Company's CSR report. The related energy saving policies and statistics can be found in more details in the Company's CSR report under the section of " the Environment". Among the information, the Company has completed ISO14064 greenhouse gas emission inspection in 2019 and had been verified and approved by a 3 rd party inspection institution. The emission of greenhouse gas was 6,937 tons CO _{2e} a year; comparing to 10,624 tons CO _{2e} a year in 2018, the CO ₂ emissions has reduced about 65%. The 2020 information is expected to complete in June 2021.	
4. Social Issues				
(1)Whether the Company makes related management policy and procedures according to related laws and International Bill of Human Rights?	✓		(1) The company has consulted the International Bill of Human Rights as the reference and made "The Promise and Company Policy on Human Right" and other related management policies specifically on human rights (such as assessments on human rights, human right risk relief policies, human right related education training, etc...), which were all disclosed on the Company's website (Under the Chinese section of Investors→Corporate Governance → Ethical Corporate Management).	No significant divergence
(2)Whether the Company makes and implements reasonable employee	✓		(2) According to Article 26-1 of the Company's Articles of Incorporation,	

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

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			<p>healthy environment and a continuous improvement mechanism. In 2020, the related projects carried out as follows:</p> <ol style="list-style-type: none"> 1. Monitor on labor's work environment: to monitor on-site environment in every 6 months. The monitoring statistics were announced on employee's bulletin board, so that employees were able to understand their work environment conditions at any time. 2. Work safety inspection: labor safety and hygiene inspections were carried out quarterly. Flaws, if found during the inspection, were sent immediately to each unit and were asked to improved. Information with regard to such flaws was also submitted to the vigilance meeting and was integrated into the evaluation of the unit's annual performance as a warning to the unit for continuous improvement. In 2020, there were found 126 flaws, which were all corrected and improved. 3. Special projects for improvements: <ul style="list-style-type: none"> (1) The Company launched the "Risk assessment of 	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence																				
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>																					
			<p>flammable chemicals in the whole plant. When the Company is deployed with complete fire control system and carries out periodical inspections, the assessing result was: low risk. In addition, the Company regularly handles educational training sessions for new employees and on-site employees according to the Occupational Safety and Health Act. In 2020, 9 training sessions were held with 100% completion rate. Details are listed as below:</p> <table><tr><th>Month</th><th>Name of the Training Session</th><th>Head Counts</th></tr><tr><td>2</td><td>Educational training on traffic safety</td><td>11</td></tr><tr><td>3</td><td>Occupational safety and hygiene training session for junior supervisors in 2019</td><td>91</td></tr><tr><td rowspan="2">4</td><td>Hearing Protection Lecture</td><td>55</td></tr><tr><td>Dust Protection Lecture</td><td>10</td></tr><tr><td>5</td><td>Training for hazard communication of hazardous matters</td><td>26</td></tr><tr><td>6</td><td>Training for self-defense fire organization</td><td>40</td></tr></table>	Month	Name of the Training Session	Head Counts	2	Educational training on traffic safety	11	3	Occupational safety and hygiene training session for junior supervisors in 2019	91	4	Hearing Protection Lecture	55	Dust Protection Lecture	10	5	Training for hazard communication of hazardous matters	26	6	Training for self-defense fire organization	40	
Month	Name of the Training Session	Head Counts																						
2	Educational training on traffic safety	11																						
3	Occupational safety and hygiene training session for junior supervisors in 2019	91																						
4	Hearing Protection Lecture	55																						
	Dust Protection Lecture	10																						
5	Training for hazard communication of hazardous matters	26																						
6	Training for self-defense fire organization	40																						

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>					Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>			
			10	CPR+AED Emergency Care training	43	
			11	Training for self-defense fire organization	40	
				On-the-Job Training (including the propaganda in human factor engineering)	900	
(4)Whether the Company establishes effective professional skill development training plans for employees?	✓		(4) The Company has constructed a multi-directional training system for employees. The system includes introductory training sessions for new employees, on-job training, real-time practices with assistance, job rotation system, and lectures with multiple topics. It is hoped by rich and diversified learning channels and proper career development plan, all the Fu Hsing employees have opportunities to utilize their expertise to work for the company and grow with the company.			
(5)Whether the Company follows regulations and international standards in the light of product and services in relation to client’s health and safety, client’s privacy, marketing and labeling, and establishes consumer right protection related policies and compliant procedures?	✓		(5) The Company has after-sale services for all the products and also carries out an effective customer complaint channel to assure all customers’ rights. Products manufactured by Fu Hsing have obtained various international production tests and certifications. For example, the ANSI standard and fireproof certification by the UL in the North America, and the CE certification in Europe, etc...			
(6)Whether the Company establishes management policies toward its	✓		(6) In order to extend corporate responsibility in SER to our supplier			

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
suppliers and requests suppliers to follow related procedures in issues relating to environmental protection, occupational safety and health and labor rights, and monitors the implementation status?			chain, Fu Hsing initiates the “SER assessment system” and invites suppliers to sign the “Declaration of Social and Environment Responsibility”. At the same time, in light of mid to high risk suppliers, Fu Hsing each year visits their factories and carry out on-site inspections focusing on SER and AEO related issues such as ethical matters, labors, occupational safety and hygiene, etc... In 2020, Fu Hsing invited 5 new suppliers to sign the “Declaration of Social and Environment Responsibility”; the new supplier’s signing rate achieved 100%. In the year of 2020, neither the Company nor our suppliers had any issues that impacted the society. There was no case in relation to the termination of cooperation relationship with the Company’s suppliers.	
5. Whether the Company compiles CSR report or other non-financial related reports according to the international reporting standards or guidelines? Whether the afore-mentioned reports have obtained verification or positive opinion from any third-party verification units?	✓		The Company releases CSR report every year and update the file on the Company’s website for all the interested parties to view. The contents were compiled based on the core options and structures of Global Reporting Initiative, GRI.	The Company has not yet reached the scale, upon the request of Financial Supervisory Committee, to compile corporate social responsibility report. However, due to self-discipline and goal of sustainable operation, Fu Hsing has voluntarily compiles CSR report each year. The 2014 CSR Report was verified by AA1000 via SGS, and thereafter

List of <u>Assessments</u>	Implementation Status (<u>Note 1</u>)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	<u>Summary & Explanation (Note 2)</u>	
				was updated and posted every year on the Company's website under the section of "Corporate Social Responsibility" for lookup by all interested parties.
<p>6. If the company follows "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" to establish the company's CSR rules, then the Company should also state the implementation status and the divergence between the real practices and the rules:</p> <p>There was no divergence between the real practices and the rules.</p>				
<p>7. Other important information that might help to understand the operation of the CSR practices:</p> <p>Ever since the establishment of "Taiwan Fu Hsing Cultural and Educational Foundation" in 2001, the foundation has been deeply cultivated in three areas – "sports promotion", "education and cultivation", and "culture and arts" for nearly 2 decades. The foundation has been assessed as excellence grade several times by Kaohsiung City Education Foundation, and in 2017 and 2019 two consecutive years, it also received the Arts & Business Awards in the areas of "Corporate Culture Award" and "Corporate Devotion Award" from the Ministry of Culture. In 2020, with its caring for the foreign labors project, the BetterUp Project, Taiwan Fu Hsing received Copper Award in the 2020 PwC's CSR Influential Award and the Special Jury Award in the TGE Festival.</p>				

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

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
<p>1. Ethical Management Policy Establishment and Plan</p> <p>(1) Whether the company establishes Board approved ethical management policies and explicitly states, in the Company's Articles of Incorporation and other external correspondences, the Company's policy and method toward ethical management, as well as the promise made by the Board of Directors and the Company's management to carry out such ethical management policies actively and honestly?</p> <p>(2) Whether the Company establishes risk assessment mechanism for unethical behaviors to regularly analyze and assess higher unethical behavior related operation activities within the Company's business scope and set up prevention manners to prevent unethical behaviors that at least includes all the behaviors mentioned in Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p>	<p>✓</p> <p>✓</p>		<p>(1) The company has its own "Ethical Management Principles". A legal unit is empowered to handle the work procedures and the amendment, execution, explanation, consulting, recording & filing, and execution under supervision of such behavior guidance. While encountering with unethical conducts, the handling and follow up discussions on the improvements should be reported to the Board of Directors as a special project case.</p> <p>(2) The Company has established "Guidance for Ethical Operation Procedures and Behaviors" and "Internal Whistle Blower Guidelines" in the light of 7 behaviors mentioned in Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". Besides propagandizing during the Company's monthly meetings, the guidance and guidelines were separated upon its functions by the legal department to internal audit, intelligent right, marketing, and other related departments to</p>	No significant divergence

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
(3) Whether the Company prescribes prevention programs to guard against unethical conducts and clearly stipulates work procedures, behavioral guidance, punishment at violation, and complaint system in each program and truly executes the stipulation, and whether the Company regularly examines and modify the afore-mentioned stipulations?	✓		<p>carry out internal audit and make ethical behavior agreements. It is hoped to prevent the occurrence of such unethical behaviors and lower the risk brought by ethical behaviors.</p> <p>(3) The Company has established “Guidance for Ethical Operation Procedures and Behaviors” and “Internal Whistle Blower Guidelines” to ensure the implementation of ethical operations. The Company establishes effective accounting system and internal audit systems, and the internal audit personnel regularly reviews and examines the compliance of the afore-mentioned systems .</p>	
<p>2. Ethical Operation Implementation</p> <p>A. Whether the company assesses corresponding parties’ past credit histories and explicitly sets up ethical behavior clause in any of the contracts signed with the corresponding parties?</p> <p>B. Whether the Company establishes a unit that is exclusively responsible for promoting corporate ethical operation and reporting its ethical operation policies, manners used to prevent unethical conducts and the inspection on the execution status to Board of Directors regularly (at least once a year)?</p>	<p>✓</p> <p>✓</p>		<p>A. The company has continually set up ethical behavior clauses in business contracts with corresponding parties.</p> <p>B. Article 5 of the “Guidance for Ethical Operation Procedures and Behaviors” sets up the standard for the dedicated unit: The Company shall appoint its legal unit to handle the related works and supervision of the execution in relation to this Guidance. The dedicated unit shall report regularly to the Board of Directors in relation to its ethical operation policies and manners used to</p>	No significant divergence

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
C. Whether the company establishes conflicts of interest prevention policy, provides proper declaration channels, and truly carries out the policy?	✓		prevent unethical conducts, as well as the supervision of the monitoring status. C. The company has “Work Rules” that clearly states that Fu Hsing employees cannot use their authority of office to gain benefits for themselves or for others and Fu Hsing employees cannot accept gifts and services, collect rebates or have other illegitimate benefits due to official conducts or infringed official conducts. Meanwhile, the Company also states the whistle blower communication channels in Clause 4 of the “Internal Whistle Blower Guidelines”.	
D. Whether the Company has already established effective accounting system and internal control system to implement ethical operations, and empowers internal audit unit to establish according audit plans based on the assessment results in relation to the risks of unethical conducts, and to verify the compliance status of the plans to prevent unethical conducts according to the audit plans or entrust accountants to execute such verification?	✓		D. The company has established effective accounting system and internal control system to ensure the implementation of ethical operations. The internal audit unit also periodically verifies the compliance state to follow the afore-mentioned systems and report in writing regularly to the Board of Directors. In addition, all the departments every year are requested to self-inspect their own internal control systems to ensure the effectiveness of such system’s design and execution.	
E. Whether the company regularly holds internal or external education training in the light of ethical operations?	✓		E. The Company handles the promotion and training in relation to ethical operation related issues as regulated principles to strengthen the concepts of honesty operation and morality. While was involving	

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>in any business activities, the Company explains the Company's policies and rules in relation to ethical operation. While was singing contract with others, the Company also brought into the concept of ethical operations into contract terms.</p> <p>Internal trainings held in 2020:</p> <p>(1) "Taiwan Fu Hsing SER Annual Re-training Session" / Date of training: 10/14/2020-10/22/2020. Number of employees received training: 1000 persons. Total training hour: 1 hour.</p> <p>(2) "Authorized Economic Operator's (AEO)Supply Chain Safety Annual Re-Training Session" / Date of training: 10/14/2020-10/22/2020. Number of employees received training: 1000 persons. Total training hour: 1 hour.</p> <p>(3) "Fu Hsing superintendents SER annual retraining session" / Date of Training: 10/20/2020. Total number of superintendents received training: 46 persons. Total training hour: 1.5 hours.</p> <p>(4) "AEO Supply Chain Safety Training (in the light of suspicious mails and packages, cargo safety, cargo safety and information security)" / Date of Training: 10/26/2020. Number of persons received training: 41 persons. Total training hour: 3 hour.</p> <p>External trainings:</p>	

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>(1) “Policy analysis for enterprises to improve financial report’s self-preparation capacity and the Key Discussions on the internal audit and internal control” / Date of training: 7/31/2020. Number of person received training: 1 person. Total training hour: 6 hours.</p> <p>(2) “The practices of internal audit and internal control on personal information protection” / Date of training: 12/8/2020. Number of person received training: 1 person. Total training hour: 6 hours.</p> <p>(3) “Seminar of the Audit Practices in relation to annual operation plan and budget preparation” / Date of training: 10/27/2020. Number of person received training: 1 person. Total training hour: 6 hours.</p> <p>(4) “Practical Operation after the implementation of the Company Act and the analysis on the latest Explanatory Decree” / Date of training: 11/20/2020. Number of person received training: 6 persons. Total training hours: 24 hours.</p> <p>(5) “The true features of big data and AI” / Date of training: 7/20/2020. Number of person received training: 1 person. Total training hour: 6 hours.</p> <p>(6) “Continuing Training Course for the Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and</p>	

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			Securities Exchanges” / Date of training: 9/17/2020. Number of person received training: 1 person. Total training hour: 6 hours.	
<p>3. The Operation of Accusation (Whistle-Blowing) System</p> <p>A. Whether the Company establishes specific accusation and awarding system and creates convenient accusation channels, and whether proper personnel are appointed to investigate the being reported person and handle the case?</p> <p>B. Whether the Company sets up standardized investigation work procedures after accepting claims, regulates actions to take after the investigation and establishes related security system while handing the accusation cases?</p> <p>C. Whether the company adopts some protection mechanism to protect reporter from encountering improper punishment?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>A. The already made “Social and Environment Responsibility Statement” and “Internal Whistle Blower Guidelines” are explicitly expressed specific the company’s whistle blowing system. The Administration Department is assigned to be the accusation receiving unit.</p> <p>B. The company has set up “Social and Environment Responsibility Statement” and “Internal Whistle Blower Guidelines”. Complaints made by the company’s employees should be directly sent to the highest level superintendent of the Administration Department. Superintendent of the Administration Department may convene “Complaints Review Committee” depends on the complaint contents to discuss and make further process on the complaint cases. However, the superintendent of the complainant should not be included as one of the Complaint Review Committee members.</p> <p>C. The company has set up “Social and Environment Statement” and “Internal Whistle Blower Guidelines” to serve as a guideline to process all the complaint cases. In order to protect complainant’s</p>	No significant divergence

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

List of <u>Assessments</u>	<u>Implementation Status (Note 1)</u>			Divergence from the regulated Best
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	Practices and Reasons of the Divergence
there is any extraordinary trading circumstances and pays special attention on the management and storing of document, files, and e-records relating to the company’s important information.				

8. If the company has established its own ethical corporate management principles and related policies, then the inquiry method should also be addressed: The company has promulgated Social and Environment Statement, Ethical Corporate Management Principles, Rules of Procedures for Shareholders' Meeting, Rules of Procedures for Board of Director's Meeting, Internal Whistle Blowing Guidelines, Work Procedures to Handle Significant and Important Information, and a comprehensive internal control and internal audit system. All the related information has been disclosed on the company's website for meeting with employees' inquiries and truly carrying out and promoting Fu Hsing's corporate governance system.
9. Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: No.
10. Corporate governance related continuing education listed below were courses taken by managers:
 "A Discussion on corporate responsibility in occupational accidents – a think-back over the news" – held by Labor Standards Inspection Office, Labor Affairs Bureau, Kaohsiung City Government
 Corporate Governance Practice – the "Impacts on corporate and the responses to the newly released "Labor Incident Act": held by the Accounting Research and Development Foundation
 The newest Invest Taiwan related financial policy and practical analysis – held by the Accounting Research and Development Foundation
 Analysis of the effects and legal liabilities of "evidence" in economic crimes – held by the Accounting Research and Development

Foundation

Advanced courses for accounting supervisors (2020)- held by National Cheng Kung University

11. The implementation of internal control system

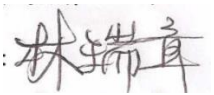
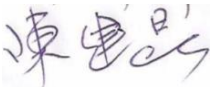
(i) Statement of internal control system

Date: March 9th, 2021

In the light of the Company's 2020 internal control system, the Company is hereby made the following statement based on the results of self-assessment.

- A. The company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The system has already been duly established in the company with purposes to provide a reasonable assurance of the company's efficient and effective operations (including the profits, performance and safeguard of assets, etc...), to ensure the reliability of financial reports, and to reasonably assure the compliance to applicable laws and regulations.
- B. The company also acknowledges that the Internal Control System has inherent constraints irrespective of how comprehensive the system design is and therefore could only provide a reasonable assurance on the three above-mentioned goals. In addition, due to changes in the environment and circumstances, the effectiveness of the Internal Control System may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the company would enforce corrective measures immediately.
- C. The company evaluates the effectiveness and execution of its Internal Control System according to the guidelines defined in the "Regulations Governing Establishment of Internal Control Systems by Public Companies ("the Guidelines" hereinafter) set forth by the Financial Supervisory Commission. The Guidelines divide the internal control system into 5 major elements: 1) Control environment; 2) Risk assessments; 3) Control operations; 4) Information and communication; 5) Monitoring. Each element includes certain factors. Please refer to "the Guidelines" for the detailed factors.
- D. The company has assessed and evaluated the design and execution effectiveness based on above-mentioned internal control system assessing elements.
- E. On the basis of the self-assessment, the company is of the opinion that the company's Internal Control System (including the governance to its subsidiaries) on Dec. 31st, 2020, including the understanding of the efficiency and effectiveness of operations and achievements, reliability, timing, and transparency of the company's report, and the compliance to applicable laws and regulations due to the design and execution of its Internal Control System, is effective and provides a reasonable assurance of achieving the above-mentioned goals.
- F. The Statement of Internal Control System will be a prominent feature of the company's annual report and prospectus. It will also be released to the public. Should any statement herein involve forgery, concealment or any other illegalities, liabilities stated in Articles 20, 32, 171, and 174 of the Securities and Exchange Act shall apply.
- G. The statement has been approved in the Board of Director's Meeting on March 9th, 2021 with 10 directors presenting at the meeting and 0 holding objection opinion on the contents of this Statement of Internal Control System.

Taiwan Fu Hsing Industrial Co., Ltd.

Chairman :		Signature
President:		Signature

- (ii) If the company is requested by the Securities and Futures Bureau to entrust accountants to audit its internal control system, the company should also disclose the accountant's audit report: Not applicable
12. Regulatory authorities' legal penalties to the company and its employees, and the company's punishment to its employees due to violation to the company's internal control policy in the most current fiscal year and the current fiscal year until the printing date of this annual report: None.
13. Important resolutions made in the Shareholders Meeting and Board of Director's Meeting in the most recent fiscal year and up until the printing date of this annual report
- (1) General Shareholders' Meeting

Date	Important Resolutions	Execution Status
May 28, 2020	Adoption of the 2019 financial statements and proposal of earnings distribution.	On May 29, 2020, the Chairman resolved to set the ex-dividend date on June 24 th , 2020 and July 17 th , 2020 as the cash dividend distribution date.

(2) Board of Director's Meeting

Date (mm/dd/yyyy)	Important Resolutions
1 st Meeting 01/16/2020	To review 2020 Business Plan
	To discuss the results of 2019 Board of Directors' performance evaluation
	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2019"
	To review the proposal to approve "2019 Remuneration Paid to Managers and Employees"
2 nd Meeting 03/9/2020	To adopt the 2019 financial statements
	To resolve on 2019 earnings distribution
3 rd Meeting 05/7/2020	To discuss the proposal to adjust China subsidiaries' annual audit measure in 2020
4 th Meeting 05/28/2020	The 1 st Board Meeting after complete re-election of directors / To elect Chairman of the Board
	To discuss the establishment of the Company's Audit Committee
5 th Meeting 08/6/2020	To discuss the proposal to re-elect members of the Company's Remuneration Committee
6 th Meeting 11/6/2020	To discuss to amend the "Work Procedures to Loan Funds to Others"
	To discuss 2021 Audit Plan

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

(5) Information on certifying accountants

Name of Accounting Firm	Name of Accountant		Review Period	Remark
PwC Taiwan	WANG, Kuo-Hua	WU, Chien-Chih	2020	Internal work rotation inside the accounting firm
PwC Taiwan	WANG, Kuo-Hua	LIAO, A-Shen	2019	

(6) Information on certifying accountant's professional fees

(1) Information on accountant's professional fees

Unit: NTD1,000

Type		Audit fee	Non-Audit fee	Total
Fee Range				
1	Below NT\$2,000	-	\$450	\$450
2	NT\$2,000 (including)~NT\$4,000	\$3,690	-	\$3,690
3	NT\$4,000(including)~NT\$6,000	-	-	-
4	NT\$6,000 (including)~NT\$8,000	-	-	-
5	NT\$8,000(including)~NT\$10,000	-	-	-
6	NT\$10,000 and above	-	-	-

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

Unit: NTD1,000

Name of Accounting Firm	Name of Accountant		Audit Fee	Non-Audit Fee					Review Period	Remark
				System design	Business registration	Human resource	Others	Total		
PwC Taiwan	WANG, Kuo-Hua	WU, Chien-Chih	\$3,690	-	-	-	\$450	\$450	2020	Transfer pricing and other related services \$450

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

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

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

(7) Information on the replacement of certifying accountants in the most two recent fiscal years and any subsequent interim period:

1. Information on former certified public accountant

Date of Change	March 2020		
Reason and explanation on the change of certifying accountant	The Company's certifying accountants were changed from accountant WANG, Kuo-Hua and accountant LIAO, A-Shen to accountant WANG, Kuo-Hua and accountant WU, Chien-Chih due to PwC Accounting Firm's internal work rotation.		
Explanation on whether the client or the accountant terminate or decline the entrusting relation	The Person Involved		Accountant
	Circumstance		Client (The Company)
	The CPA voluntarily ended the engagement		Not Applicable
The Company terminated or discontinued the engagement			

Whether the accountant issued an audit report expressing opinion other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason?	None		
Whether there was any disagreement between the Company and the former certified public accountant relating to the issues listed?	Yes	-	Accounting principles or practices
		-	Disclosures on financial report
		-	Audit scope or steps
		-	Others
	No	✓	
	Explanation: Not applicable		
Other issues to be disclosed (Issues that should be disclosed according to Item A-4 to Item A-7 of Clouse 6, Article 10 of this Regulation)	None		

2. Information on the successor certified public accountant

Name of Accounting Firm	PwC Taiwan
Name of Certifying Public Accountants	WANG, Kuo-Hua WU, Chien-Chih
Date of Engagement	March 2020
If prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, the company shall state and identify the subjects discussed during those consultations and the consultation results.	None
Written views from the successor certified public accountant regarding the matters on which the Company did not agree with the former certified public accountant	None

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

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

Title	Name	2020		Jan. 1 st , 2021 ~ Mar. 30 th , 2021	
		Increase (Decrease) of shares held	Increase (Decrease) of shares pledged	Increase (Decrease) of shares held	Increase (Decrease) of shares pledged
Chairman	LIN, Jui-Chang	0	0	0	0
Director & President	CHEN, Chien-Kun	0	0	0	0
Director	Representative of Fu Zhi Investment Co., Ltd.: CHU, Jung-Ho	0	0	0	0
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	0	0	0	0
Director	Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Shuan	0	0	0	0
Director	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	0	0	0	0
Director	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	0	0	0	0
Independent Director	CHANG, Ling-Ling	0	0	0	0
Independent Director	CHEN, Yung-Chun	0	0	0	0
Independent Director	CHO, Yung-Fu	0	0	0	0
Group President	CHU, Jung-Ho	0	0	0	0
Group President	LIN, Teng-Tsai	0	0	0	0
Vice President	CHANG, Jui-Pi	0	0	0	0
Vice President	WANG, Han-Ting	0	0	0	0
Vice President	LIN, Tzu-Shuan	0	0	0	0
Director	LI, Chen-Hui	0	0	0	0
Director	LIN, Shih-Huang	0	0	0	0
Director	LIN, Wen-Yu	0	0	0	0
Chief Finance Officer	LI, Kuo-Wei	0	0	0	0
Plant Manager	CHUNG, Hsuan-Tung	0	0	0	0

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

Name	Shares held in person		Shares held by spouse and minor children		Shares held under others name		Relationship among top 10 shareholders including spouse and within 2 nd degree relative as stated in No.6 of the Accounting Standard		Remark
Person in Charge	Shares	%	Shares	%	Shares	%	Title / Name	Relationship	-
HSBC Bank (Taiwan) Ltd. entrusted by investment account in BNP Paribas Singapore	11,261,000	5.98%	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd.	10,886,000	5.78%	-	-	-	-	-	-	-
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%	-	-	-	-	Hong Cheng Investment Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung.	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Chao-Hung							Lian Guang Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5%	-	-	-	-	Lian Guang Investment Co., Ltd.	Both companies' Chairman is LIN, Wen-Hsing	-
							Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Wen-Hsing							Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Sheng International Investment Co., Ltd.	7,003,000	3.72%	-	-	-	-	Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Tzu-Shuan									
Hong Cheng Investment Co., Ltd.	5,721,451	3.04%	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Chao-Hung							Lian Guang Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
CTBC Bank – LIN Jui-Chang trusted account	5,000,000	2.65%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	4,839,000	2.57%	-	-	-	-	-	-	-
Fu Xun Investment Co., Ltd.	4,697,300	2.49%	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
CHANG, Jui-Pi							Lian Guang Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Lian Guang Investment Co., Ltd.	4,210,417	2.23%	-	-	-	-	Fu Ding Investment Enterprise, Co., Ltd.	Both companies' Chairman is LIN, Wen-Hsing	-
							Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
							Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Wen-Hsing							Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-

(11) Composite share holding percentage

Unit: Share; %

Invested Enterprise (Reinvestments)	Fu Hsing's stake		Stake of Fu Hsing's directors, supervisors, managers and enterprise that Fu Hsing directly or indirectly has controlling power over		Composite holding	
	Shares	%	Shares	%	Shares	%
FORMFLEX ENTERPRISE CO., LTD.	23,704,000	100%	-	-	23,704,000	100%
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	100%	-	-	1,560,000	100%
Fortress Industrial Co., Ltd.	39,930,000	100%	-	-	39,930,000	100%
Tong Hsing Enterprise Co., Ltd.	80,000,000	100%	-	-	80,000,000	100%
FU HSING AMERICAS INC.	300,000	100%	-	-	300,000	100%
ARCTEK Industrial Co., Ltd.	5,838	70%	-	-	5,838	70%
Hundure Technology Co., Ltd.	6,615,390	64%	-	-	6,615,390	64%
Sunion Technology Co., Ltd.	2,900,000	100%	-	-	2,900,000	100%

IV. Capital Raising Activities
(1) Source of capital stock

Time	Issuance Price	Authorized Capital Stock		Paid-In Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Non-cash stock subscription	Others
March 2004	10	242,400,000	2,424,000,000	177,257,541	1,772,575,410	Common stocks converted from convertible bonds \$70,893,250	—	—
April 2004	10	242,400,000	2,424,000,000	166,643,832	1,666,438,320	Capital reduction of \$106,137,090 when merged a subsidiary	—	—
July 2004	10	242,400,000	2,424,000,000	187,375,650	1,873,756,500	Common stocks converted from convertible bonds \$20,731,818	—	—
October 2004	10	242,400,000	2,424,000,000	187,443,733	1,874,437,330	Common stocks converted from convertible bonds \$680,830	—	—
August 2005	10	242,400,000	2,424,000,000	191,991,170	1,919,911,700	Capital increased deriving from stock dividends and employee's stock bonus \$45,474,370	—	Approved by Correspondence Jin-Shou-Shang-Zi No.0940116530 0 on Aug. 29, 2005
April 2009	10	242,400,000	2,424,000,000	188,452,170	1,884,521,700	Capital reduction of \$35,390,000 by treasury stock retirement	—	Approved by Correspondence Jin-Shou-Shang-Zi No.0980106251 0 on Apr. 1, 2009

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

(2) Shareholding structure

Shareholding Structure Amount	Government & Institutional Holder	Financial Institution	Other Juridical Persons	Individuals	Foreign Institutions & Investors	Total
Numbers	1	6	95	12,807	87	12,996
Shares Hold	10,000	20,383,000	73,904,018	72,885,797	21,269,355	188,452,170
Shareholding %	0%	11%	39%	39%	11%	100%

(3) Dispersion of shareholding

NT\$10/share / Mar. 30, 2021

Range	Number of Shareholders	Number of Shares Held	Shareholding %
1-----999	3,688	588,169	0.31
1,000-----5,000	7,129	15,082,840	8
5,001-----10,000	1,149	9,083,126	4.82
10,001-----15,000	300	3,866,070	2.05
15,001-----20,000	216	4,033,552	2.14
20,001-----30,000	162	4,175,406	2.22
30,001-----40,000	84	3,040,874	1.61
40,001-----50,000	63	2,934,841	1.56
50,001-----100,000	87	6,032,784	3.2
100,001-----200,000	47	6,787,824	3.6
200,001-----400,000	20	5,685,308	3.02
400,001-----600,000	6	3,181,576	1.69
600,001-----800,000	11	7,907,568	4.2
800,001--1,000,000	2	1,864,000	0.99
1,000,001 and above	32	114,188,232	60.59
Total	12,996	188,452,170	100

(4) Name list of major shareholders

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

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

List \ Year		2019	2020	Current year until March 30, 2021
Price per Share	Highest	47.80	46.20	47.20
	Lowest	33.95	32.55	45.63
	Average	41.94	41.48	44.40
Book Value per Share	Before profit distribution	28.97	31.00	—
	After profit distribution	26.37	(Note 1)	—
Earnings per Shares	Weighted Average Shares	188,452,170	188,452,170	—
	EPS	4.38	4.37	—
Dividend per Share	Cash dividend	2.60	2.60	—
	Issuance of Bonus Share	From Retained Earnings	—	—
		From additional Paid-In Capital	—	—
	Accrued unpaid dividend		—	—
Return on Investment	PE Ratio (Note 2)	9.58	9.49	—
	Price to Dividend Ratio (Note 3)	16.13	15.95	—
	Cash Dividend Yield (Note 4)	6.20%	6.27%	—

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

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

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

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

(6) Dividend policy and the implementation

(1) Dividend policy

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

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

Each year, if there is surplus after closing, the Company shall, after paying income tax and covering all losses till then, set aside 10 percent of the surplus profits as legal reserve, except when such legal reserve amounts to the total capital. The Board of Directors shall then propose an earning distribution proposal and send to the Shareholders' Meeting for resolution. The appropriate of the aforementioned legal reserve may not be required when the accumulated legal reserve has amounted to the total capital.

The Company adopts the policy of surplus dividends in consideration of funding needs in future and overall investment situation, long-term financial planning, domestic and global competition situation, and as well as shareholders' needs for cash inflow. Each year, the company shall appropriate no less

than thirty percent of earning surplus for shareholders as dividends, which may be distributed in case or with stock, only that the cash dividend should not be less than fifty percent of the total payout.

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

(1) Shareholder's cash dividend: NT\$2.6 per share (for a total of \$489,975,642).

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

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

1. The percentages or ranges with respect to employee bonuses and director/supervisor compensation, as set forth in the Article 27 of the company's Articles of Incorporation: The detailed information can be looked up in the Handbook distributed in the Shareholders' Meeting of the year.
2. The basis for estimating the amount of employee bonuses and director/supervisor compensation, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The amount of discrepancy shall be handled in accordance with the following principles:
 - A. According to the Company's Articles of Incorporation, the Company shall distribute not lower than five percent of current year's profit to its employees as employee remunerations and to distribute not more than five percent of current year's profit to its directors as remunerations. In the year of 2020, the estimation basis was established by the board of directors based on the Company's Articles of Incorporation and operational performances.
 - B. No applicable, because this year the Company does not propose to distribute stock bonus to its employees.
3. Information on any employee bonus distribution proposal approved by the board of directors:
 - A. Distribution of cash bonuses or stock bonuses to employees, and compensation for directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.
 - i. The Board of Directors' Meeting on Jan. 29th, 2021 resolved a total amount of NT\$212,175 thousand as cash remuneration paid to employees and a total amount of NT\$18,316 thousand as remuneration paid to directors.
 - ii. In 2020, it was estimated to paid NT\$212,175 thousand to employees as remuneration and NT\$18,316 thousand to directors as remunerations.
 - iii. There was no discrepancy.
 - B. The amount of proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee bonuses: Not applicable, because the company does not distribute any stock bonus to employees this year.
 - C. The imputed basic Earnings Per Share after considering in remunerations paid to employees, directors and supervisors: \$4.37
4. The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number of the shares distributed, dollar amount, and stock price), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it is treated.

- A. The actually distributed amount in 2020: NT\$196,965 thousand dollars to employees as cash remuneration and NT\$16,302 thousand dollars to directors as remuneration.
- B. The 2019 estimated amount planned to distribute: NT\$196,965 thousand dollars to employees as cash remuneration and NT\$16,302 thousand dollars to directors as remuneration.
- C. There was no significant discrepancy.

(9) Share buyback situation: None.

(10) Issuance of corporate bond: None.

(11) Issuance of preferred stock: None.

(12) Issuance of global depository receipt: None.

(13) Employee stock option: None.

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

(15) The implementation of capital allocation plan:

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

V. The Operations
(1) Operation content

i. Scope of Business

1. Main contents of the business

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

2. Analysis of operation revenues

Item	% of Total Revenue
Door related parts	100%

3. Current Products and Services

Name of Products	Services
High-end door locks	To provide traditional/electronic door lock. Under the premise of safety assurance to enhance our products' use flexibility and promote users' living quality.
All kinds of door closers and hinges	To provide door control related hardware products that are safe and able to meet the needs in fire-proof environment
Panic exit device	To provide customers with complete solutions in relation to fire exit door lock to reduce damages during fire disasters

4. Planned new products and services

- a) In the business of door lock and panic exit devices
 - a. All new modern style door lock product series
 - b. Cloud IoT platform and home automation series products
 - c. Residential complex's cloud access control system
 - d. Biometrics and smart locks with wifi communications

- e. Touch screen lock and push bottom electronic lock.
- f. Provide more lock appearances selections for US standard home lock products
- g. The expansion on functions of the U.S. grade commercial locks.
- h. Antibacterial type series products development
- i. US ANSI Grade 1 high-end fire-proof lock series and the related electronic accessories

b) In the business of door closers

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

ii. The industry

I. Current status and development of the industry

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

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

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

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

The US-China war caused supply chain restructuring is a challenge and yet also an opportunity. Taiwan has superior capabilities in high quality industrial design, metal processing and electronic technology R&D abilities. With such advantageous strength, while is supplemented with agile marketing strategy and internationalized production& management division, the domestic door lock manufacturing industry has become the leader in the international market.

II. Interrelationship of the upstream, midstream and downstream industries

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

III. Product development trend and market competitions

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

a. Product development trend

In response to the growth of global economy, consumer's need and notion in door lock products is no longer limited in traditional low cost products with simple functions. Product's artistic looks, safety, convenience, functions, or even the collectability with other housing furnishing or toiletries are now major factors affecting consumer's purchasing decision. Fire door lock, besides its basic function in safety and fire prevention, is now made to cope with special climate change environment, comply with disability regulation requirements, and be compatible with electronic access control security system in order to meet the trend and growing demand.

b. Market competition

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

b-1. High-Price Products

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

b-2. Mid-Price Products

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

b-3. Low-Price Products

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

B. Door closer business

a. Upgrade from traditional gear and rack door closer to highly efficient CAM action door closer, R&D and production/manufacturing abilities are enhanced, and also product's added value is increased too.

b. Connect with electronic technology to develop high-end electronic door control products. For example, e-controlled Hold Open, free swing, and auto open/close operators, etc... such are made to meet with future trend and market demand, and the combination of technology

and door control 's security is able to provide more diversified products to the market.

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

C. Our technology and R&D

In the current year (2020), the company invested in 205,283 thousand NT dollars in R&D. Ever since the establishment of Taiwan Fu Hsing, we have obtained 507 domestic patents and 606 international patents, for a total of 1,113 patents domestically and internationally. The accumulated number of patents applied is close to 1,445 items.

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

Consumer's purchasing habits and behaviors have changed following the impacts of Covid-19 pandemic. Thus, we will agilely adjust product strategy and look after both physical access and on-line channels. Now with great challenges in international situation, currency, and material cost, we'll continue to stably supply products, pay close attention to the cost, regularly launch competitive products in order to stabilize and further enhance Taiwan Fu Hsing's market share. To look into the year of 2021, the demand of complex housing and rental housing will still maintain its growing trend, and the demand in DIY market, because of the influences caused by the pandemic, will rise instead of fall, which will drive the demand of door related hardware market. It is expected the slowing down US-China trade war will maintain a stable growth, and we will pay close attention to the subsequent market demand impacts in the post-pandemic era. In the long run, to meet with the trend when the growth of housing complex will be much higher than single-family house and the changes of new generation's shopping habits, we will add more new products that better fits our clients in the major wholesale market and construction market and quickly response to the market demands to further penetrate into both traditional channels and online channels in order to provide consumers with more selections.

The Company now is planning to enhance its competitive strength in four strategic facets, including products, pricing, branding, and channels. In the short term, we will continue to stabilize and further strengthen current OEM and ODM customer's sales channels. In the long term, we will also use progressive strategy to continue integrating all the possible win-win cooperation projects and business partners and try to keep creating better profits and growth.

a) as for product strategy:

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

Electronic smart lock has always been a key element in our R&D list. Besides keeping launching basic electronic locks to satisfy the demands from entry level clients, we will continue to construct related hard and soft ware system to provide advanced cloud smart lock products in order to link up with the trends of home automation, mainstream wireless communication, and consumer's use habit. By integrating smart phone, Bluetooth, near field communication, wireless network, etc... to optimize consumer's use experience, we will bring in and combine touch panel and biometric recognition system with access control system in order to construct the market in home automation and smart access control system. As for the guarded entrance management, aiming at lock application at residential complex management, the characteristics of wireless electronic locks can be utilized to provide convenience and flexibility for more sophisticated management on time and area, and meanwhile is able to reduce costs in installation and maintenance.

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

- For short term, we will continue to increase the basic kind of product line and cultivate deeper in the market in order to enhance the market share:
 - a. have its fine basic function;
 - b. Is easier to install;
 - c. Is friendly in its pricing;
 - d. With various design
- In the long term, in high-end product line, we will connect with electronic technology trend, manage the new standards in this industry, attach closer to customer's favorite, and maintain close and good cooperation with global major door lock business groups.
 - a. To carry out near appearance design and the promotion of electronic functions in the light of current electronic lock products (touch panel & keypad)
 - b. To connect to the trend of home automation and continuous pay attention to the main-stream products such as smart phones, Bluetooth technology, NFC, touch screen, and biometric system. Will expand the development of IoT and the collaboration with electronic lock manufacturer, and draw a blueprint to foot at home automation system and intelligent access control through the integration with access control system.
 - c. To develop various grades of door lock products according to U.S. ANSI's newly regulated standard on family locks in order to meet the demands from different customer bases.
 - d. Will still focus on "avant-garde modern" appearance as the new designing theme to promote more pricing competitive and using convenient modern style products.
 - e. Will connect with the concepts of health and environmental protection that gains increasing attention today to develop products that contain both artistic sense and anti-bacterial surface function.

b) As for pricing strategy:

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

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

c) as for branding strategy:

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

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

d) as for distribution strategy:

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

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

- a. On-line shopping: in the post-epidemic era, business opportunities in on-line shopping and long distance shopping are rising further. In response to new generation's changed shopping habits, we'll aggressively add more product choices and combination packages. We'll more actively utilize our agile marketing strategy by posting on various social media's pages in order to get closer to consumers, launching new products (including mechanical locks and electronic locks with traditional outlook and modern appearance), participating in sample-giving promotional activities and other related promotional activities in major on-line shopping platforms to accumulate high opinions on our products, regularly launching limited time discounts to stimulate purchasing willingness, analyzing further the characteristics of sales growth, pricing, and sales region distribution to launch appropriate products in specific areas, and providing new product information in time.

- b. Non-traditional sales channel: to promote the cooperation with 3C sales channels, manufacturers of home security systems, and suppliers.

(2) Market and the Production-Marketing Situation

1. Major marketing area and the market share

The company targets at global market. The exporting amount was about 94% of the Company's total revenue. Among the export sales, sales to the North America market was the largest part and accounted to 72% of total sales, China sales was about 13%, and sales from all other areas (Asia (exclude China), Europe, New Zealand and Australia, central South America, etc...) was about 15%. By providing superior products and complete services, Fu Hsing has successfully promoted its products into international market and plays a significant role in global door-type hardware product market.

2. Future Market Demand and the Growth

- (i) North America: the North America market in 2020 was slowed down in the first half by the impacts of the pandemic. However, the need to our high CP value products increased instead of declined, and such growing demand drove and supported the demands in the hardware market. The continuous US-China trade war on the contrary brought in business opportunities for the Company. However, in 2020 the fast outbreak and spread of the new corona virus has caused obvious impact to global supply chain and shadows the outlook of global economic growth. We still need to pay close attention on the following impact to the market demand. Nevertheless, the Company will continue its existing R&D strength following the trend to introduce in antibacterial series products and at the same time speed up the development in wifi communication smart locks to add the function of contactless surface other than e-lock's original convenience function. We'd like to provide double protection to personal health and home safety, continue promote our market share, and further expand to all major markets globally.
- (ii) EU market: continue to develop strategic customers in Euro Zone to expand current sales channels. Meanwhile, in the light of current clients, we will also continue to promote niche products to add more product items into current client's product profiles with the expectation to further drive up the growth.
- (iii) South-East Asia & Central South America: affected by the new corona virus situation, the market demand slowed down. China products had tariff benefits in this area and came with low price strength. Fu Hsing will continue to work with its regional partners and release differentiated products, in shape and product specs, with more alternatives from the basis of modulization through our strength in customer's existing brand image and Fu Hsing's stable quality. By locking in regional strategic working partners, we will aggressively strengthen cooperation plans and keep promoting our market share in local areas for further growth.
- (iv) New Zealand and Australia: Besides current channels, we will actively cooperate with strategic partners to understand the demand in the two markets in order to better establish new product plans and map out local distribution channels. Through flexible sales strategy and production mix, we will continue to expand our market share and create

another new growth driver.

- (v) Domestic market: keep optimizing high value-added products and advancing into electronic lock product and comprehensive security system to have a more comprehensive product line in order to create new sales opportunities and markets. Optimizing customer's service network to be closer to our customers, we will provide better use experiences and purchasing experience.
- (vi) Emerging markets: the area includes China, Middle East, and India. The development in this area continued to be strong. We expect the home-use and commercial-use door lock products, as well as security related products will continue to grow steadily.

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

(1) Favorable factors

- A. The strength of internationalized production division: 4 production bases in Taiwan (Fu Hsing Kangshan plant, Tong Hsing plant, Fortress plant, and ARCTEK plant) and 2 in China (Taichang plant and Changshu plant) are favorable for vertical integration of parts supplying and production coordination of parts' production capabilities to ultimately meet customer's needs.
- B. Cross-industry integration to create new business opportunities: the newly established Sunion Technology on the one hand provides a stable supply of materials for existing electronic locks, and on the other hand continues to develop and integrate electronic networked smart door locks to enhance the depth, breadth, and integrity of products and services.
- C. Strengthen U.S. subsidiary's services to provide in-time shopping suggestions for local customers, strengthen inventory dispatching support, after-sale services, and the stock delivery functions for on-line business in order to effectively cut into the new E-marketing field and promote market share in full scale.
- D. China market continues to grow. This includes demands from large-scale construction projects, public infrastructure, and urban development, especially in the 2nd and 3rd tier cities. Fu Hsing has started its China layout in a few years ago, and the early involvement is favorable to Fu Hsing's growth in China.
- E. The new plant, which was invested in Kangshan Benjhou Industrial Zone in Kaohsiung in 2017, has already put into operation in the first quarter of 2019. The new plant is expected to increase the capacity and promote the quality of Zinc Alloy die casting and surface processing productions.
- F. Continuous investment is carried out into all plants' automation process to complete further lean-production concept and promote product's added value, quality and competitiveness.

(2) Unfavorable factors

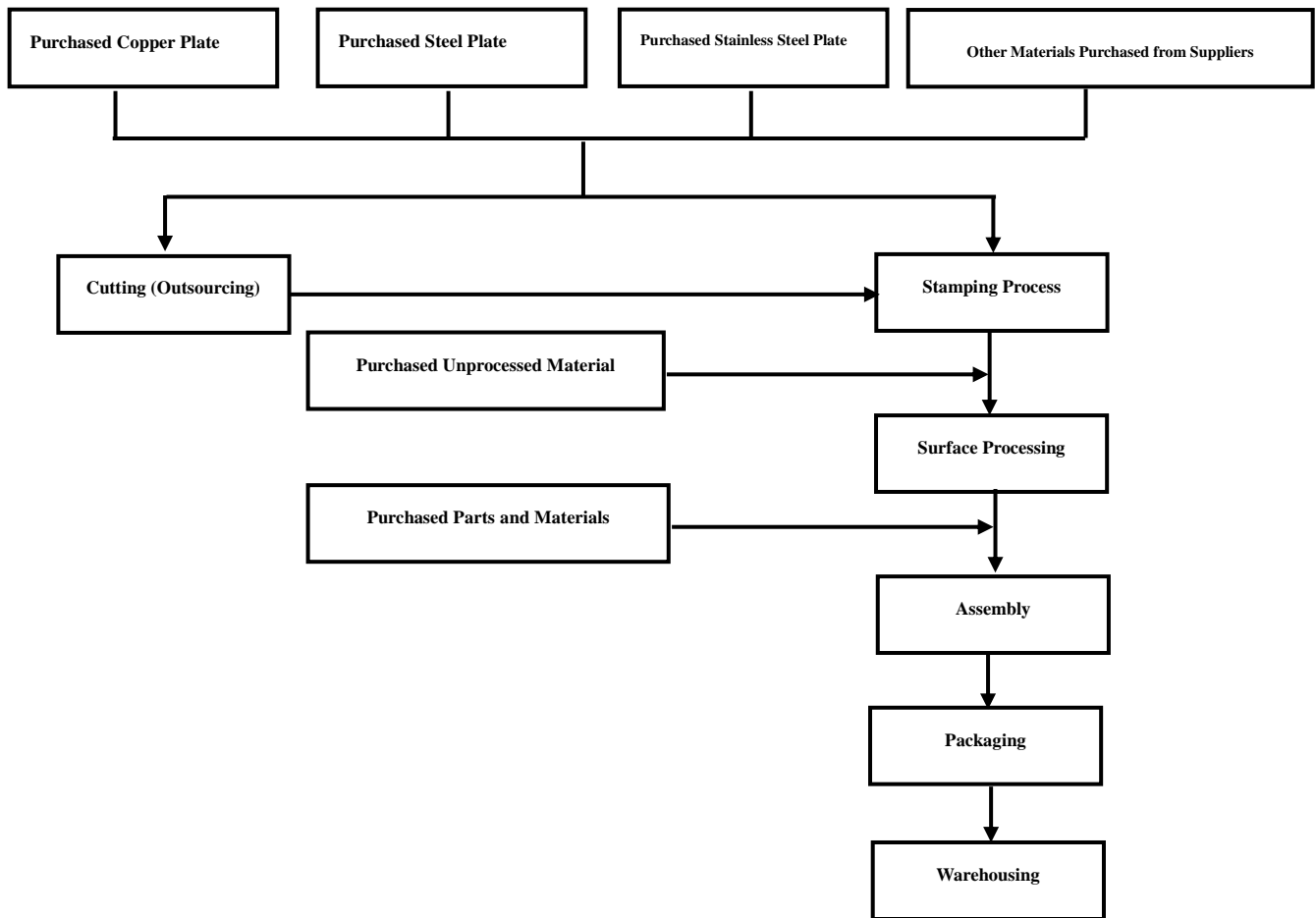
- A. Increasing material cost results in increasing cost.
- B. The depreciation of US dollar due to the Fed's QE policy impairs profits.
- C. International trade war is still on-going.
- D. The new corona virus pandemic continues still, we need to pay close attention to its impact on the supply chain and market demand.

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

4. Important functions of major products and the production process

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

Production process of metal door locks



5. Supply of major raw materials

Product Name	Major Materials		
	Name	Main Source	Supplying Condition
Door related parts	Steel Plate/Steel Strip	China Steel Corporation	Good
	Stainless Steel	Sinkang Industries Co., Ltd.	Good
	Copper Plate	First Copper Technology Co., Ltd.	Good
	Aluminum Alloy	Chiao Tai Aluminum Industry Co., Ltd. Crown Aluminum Co., Ltd.	Good
	Zinc Alloy Ingot	China Steel Aluminum Cooperation	Good

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

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

Unit: NT\$1,000 / %

List	2020				2019			
	Name	Amount	% of total procurement in the year	Relation to the Issuer	Name	Amount	% of total procurement in the year	Relation to the Issuer
	Others	\$6,861,240	100%	-	Others	\$6,472,682	100%	-
	Net Purchase	\$6,861,240	100%		Net Purchase	\$6,472,682	100%	

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

Unit: NT\$1,000 / %

List	2020				2019			
	Name	Amount	% of total sales in the year	Relation to the Issuer	Name	Amount	% of total sales in the year	Relation to the Issuer
1	Customer C	\$2,454,505	27%	None	Customer C	\$2,575,548	30%	None
2	Customer B	1,543,880	17%	None	Customer B	1,162,882	13%	None
3	Customer E	931,375	10%	None	Customer E	694,107	8%	None
	Others	4,104,216	46%	-	Others	4,249,369	49%	-
	Net Sales	\$9,033,976	100%		Net Sales	\$8,681,906	100%	

7. Production volume and value over the past two years

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

Year	2020		2019	
	Volume	Value	Volume	Value
Product volume & value				
Main Product				
Door related Metal Parts	51,721	\$6,831,957	47,022	\$6,618,241
Total	51,721	\$6,831,957	47,022	\$6,618,241

8. Sales volume and value over the past two years

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

Sales volume & value Main product	Year	2020				2019			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Door related Metal Parts		2,078	\$624,970	48,768	\$8,409,006	1,969	\$571,635	44,174	\$8,110,271
Total		2,078	\$624,970	48,768	\$8,409,006	1,969	\$571,635	44,174	\$8,110,271

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

Year		2019	2020	Jan. 1 ~ Mar. 30, 2021
Total Number of Employees	Director Labor	1,888	1,907	1,733
	Indirect Labor	749	798	803
	Management	233	230	241
	Total	2,870	2,932	2,777
Average Age		38.49	39.02	39.45
Average Year of Service		5.10	5.69	6.12
Education Analysis	Doctor	1	1	1
	Master	57	65	68
	University	1,069	1,138	1,179
	High School	989	974	929
	Below High School	754	753	600

(4) Expenditures on environmental protection

1. Significant expenditures or losses from environmental pollution in the most recent fiscal year and the current fiscal year until the printing date of this annual report:

The Environmental Protection Bureau, Kaohsiung City Government sent a correspondence explanation on June 19th, 2020 and stated that due to an inconsistent statistics while the total storing waste wood (R-0701) does not match to the number after deducting the declaration number from the total number produced from August 2019 to March 2020, the Company had violated Paragraph 1-2, Article 31 of the Waste Disposal Act and regulations in Notice 2 in relation to "In accordance with the format, items, content and frequency stipulated by the central competent authority, report to the special municipality, county or city competent authority via the Internet the circumstances regarding the production, storage, clearance, disposal, reuse, export, import, transit and transshipment of the waste at issue". Hence, on July 7, 2020, the Company was fined NT\$6,000 dollars as administrative sanction (Disciplinary Citation No.40-109-070020) by competent authority. The Company had made improvements on July 2nd, 2020 in accordance with the guidance provided by the Environmental Protection Bureau, Kaohsiung City Government and corrected the information with regard to the volume of total wood waste (R-0701) from August 2019 to March 2020 on the Online Waste Declaration System. And the declared volume had been reviewed and verified by the Environmental Protection Bureau, Kaohsiung City Government on July 2nd, 2020 through the online system. The Company will continue our devotion in environment improvement and the reduction of environmental impacts with the expectation to create a win-win situation in both economy and environmental protection.

2. The company has a special unit that is exclusively responsible for the management of career safety and health, regularly convenes safety and health committee meeting, establishes and puts into effect of the "safety and health practices" for managing employee's work environment and facilities, regularly carries out employee health check and inspection on the work environment, and periodically handles education trainings on labor safety and hygiene to make sure the company is able to provide a safe and healthy work environment and seek for continuous improvement.
3. Responding actions
 - (1) The company is engaged in the selling and manufacturing of door locks and

related metal accessories. The major production processes include stamping, grinding, powder coating, and assembling. While is continuing promoting environment management system and straightening pollution prevention facilities, we should also take laws and regulations into consideration. We must add new system/facilities after obtaining authorities' approval. This will not only decrease impacts to the environment caused by our manufacturing procedures but also minimize risks of having penalties.

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

4. Projected expenditures

The projected expenditures in the next 2 fiscal years

Unit: NT\$1,000

Name of Facility	2021	2022
The improvement and operation of air pollution prevention facility	3,164	2,697
The improvement and operation of water pollution prevention facility	9,109	8,372
Removal and process of business wastes	21,837	21,855

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

I. Specific manners adopted to manage labor safety and health

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

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

II. The Implementation of Work Safety Control

- (1) Control on special operations and work permit: according to the requirements regulated in Occupational Safety and Health Act and the company's safety and health assessing results, the company implements control and work permits on special operations such as overhead operation, hot work, confined space operation, and hoisting operation.
- (2) Supervision on safety and health condition: All work units in the factory site including contractors must submit application before carrying out high risk operations. Besides, the operating unit should appoint safety and healthy supervisory staff to carry out full supervision during the process of high risk operation for ensuring work safety.
- (3) Inspection of dangerous machinery and facility: according to statutory regulations, dangerous machinery and facility in the plant should be regularly inspection to meet qualifications. Besides, all the operators must acquire related operation license and regularly receive the company's on-job training to ensure the operation safety.
- (4) Accidents investigation, tracking, and improvement: for any accidents, regardless with or without injuries or only a false alarm, are discussed for improvements and tracked to eliminate potential dangers and prevent from injuries.

- (5) Safe operation standards revision: carry out the revision and modification on all operations' standard procedures. During the process, the involving operating personnel are requested to present and participate in the full review on the standard procedures in order to diminish chances of accidents due to improper operation procedures.
 - (6) Plant site patrol and inspection: inspect the operation situation in the plant site without a fixed schedule. The inspection aims at the work environment around factory worker's activity area, work content, possible hazards. Extraordinary issues are reported and provided with suggestions for improvements in order to maintain workplace and labor safety.
 - (7) Emergency response training: trainings are regularly held in light of emergency responses subjects including specific operation area, fire safety equipment, and evacuations. All the employees have to participate in the training and practices for solidifying the training in emergency responses.
3. In addition to above-mentioned manners, FU HSING AMERICAS INC. also provide its worker with work environment that meets OSHA (Occupational Safety and Health Administration) regulations made by U.S. Department of Labor and work with SCC Security and local police department to provide security services. Inspection on work safety, environment health and fire inspection are carried out per annum to make sure all meet regulated requirements.

(6) Labor-Capital relations

Taiwan Fu Hsing considers its employees as a dynamic source of corporate sustainable operation and treats every employee as its partner. Based on the principle of profit sharing, Taiwan Fu Hsing provides its employees with complete pay compensation, benefits, and friendly work environment and strictly follows Taiwan's Labor Standards Act and related rules to provide complete protection to its labors. We also regularly adjusts employee's remuneration and benefits to be more competitive based on the price level, the human resources' demand and supply situation, the salary average in the same industry, etc... We hope every Fu Hsing employees to learn and devote with no worries and meanwhile are able to pursue a stable and happy life. In 2015, Taiwan Fu Hsing, with its corporate culture "honesty", devoted in the promotion of labor conditions and worked hard to create happy working environment and labor-capital's win-win situation. During the year, Taiwan Fu Hsing was highly recognized and won the first Kaohsiung City Top Ten Happiness Enterprises Award" conferred by the Labor Affairs Bureau of Kaohsiung City Government. And in 2020, Taiwan Fu Hsing once again was selected as one Happy Enterprise in Kaohsiung, and won the award in categories of "Gender Equality" and "Welfare". In 2016, the Sports Administration, Ministry of Education started to

promote the “Sports Enterprise” certification program and in the first year there were only 50 enterprises certified. Taiwan Fu Hsing with its years of support in social sports event n and our inner cultural to promote health and exercises was received the honor as one of the fifties “sport enterprises” in Taiwan in the very first year. In 2017 after a strict on-site review by the Sports Administration, Ministry of Education, the qualification to receive the sport enterprise certification was postponed to 2018. In 2019, the Company received the honor of “sport enterprise” again.

In addition, the Company has been supported the development of local art and culture groups (like the BEAN THEATER) for a long time and also sponsored various professional institutions, such as WeiWuYing National Kaohsiung Center for the arts and the Pier-2 Art Center, to continuously introduce into new art and cultural resources to promote the city’s cultural accomplishments. Therefore, Fu Hsing in 2017 was recognized by the Ministry of Culture and obtained the reward in the 13th “Arts & Business Award – Corporate Culture Award” for the first time. We continued our devotion in arts and literature. Besides sponsoring related activities, we also worked with WIND MUSIC to jointly hold a special parent-child charity concert to help slow-fly angels (developmental delay children). In 2019, we were once again recognized by the Ministry of Culture with the reward of “Arts & Business Award – Corporate Devotion Award”. In the most recent two years, Taiwan Fu Hsing paid even more attention to the issue related to foreign labors that accounted to almost 25% of the total employees. It is expected the promotion of charity programs is able to help enhance foreign labor’s life in Taiwan and provide more information to the public, so local society is able to better understand foreign labors. This is a way to create a “good” circulation. In 2019, we started to entrust NGO group 1/40 and Kao Yuan University to design and provide series of “Foreign Labor Empowerment Curriculum”, so that foreign labors have opportunities to learn more different knowledge and skills and are able to pursue their own dreams. In 2020, through the cooperation with 1/40, we held a special exhibit, “Turning Around, Taiwan”, themed at foreign labor’s life. The exhibit received positive feedbacks from the society and was recognized by PwC with the grant of Bronze Medal in the “PwC CSR Influential Power Award”.

In the area of the development of a healthy work environment, Fu Hsing has, for three consecutive years, obtained the 3-phase healthy work environment certification promoted by the Health Promotion Administration. The 3-phase healthy work certification includes the “2014 smoke control label” → “2015 health start label” → “2016 health promote label” → “2019 the extension of health promote label” along with the “Vitality Award of the 2019 Outstanding Health Workplace”, and Taiwan Fu Hsing has already completed the highest level certification in healthy work place. In 2019, we devoted to promote Workplace Tobacco Hazard and Prevention and health promotion, and actively carry out manners for a tobacco-free workplace and health promotion in order to establish a good and healthy workplace for our employees. We were once again received the “2019 healthy workplace certification - health promotion label”. Our cultivation in sports culture in 2019 was also recognized by the Health Promotion Administration, Ministry of Health and Welfare with the reward of

“Excellent Workplace – Vitality and Health Award”. All these official certifications just prove that our long term effort into the promotion of healthy labor and the culture of continuous operation is able to stand the strictest test. In 2020, while all were facing the Covid-19 challenges, the Company deployed in advance to promote overall health and safety protection, established the company’s own anti-epidemic policy, and requested all to strictly follow the policy. We enhanced our care to employees, guarded against the epidemic, adjusted operational strategies, protected the safety of our work environment, as well as leveled up the overall health promotion manners to A+ grade. In general we have the following characteristics in the field of “labor relations”:

1. Competitive overall remuneration:

While designing the remuneration system, the direction aims at stimulating employees to challenge higher remunerations based on a fixed salary base. The overall remuneration includes basic salary, rewards, and employee bonuses. The basic salary is determined by education, experiences, professional skills, and work performance. The company will never determine employees’ salary by their gender, religion, racial, nationality, political party, etc... The remuneration and protection of work conditions for every Fu Hsing staff are completely in compliance with local labor law and standards made by the International Bill of Human Rights. Also, the salary base was adjusted according to market standard and the Company’s operational achievement. Since 2017, the salary increase as a whole was more than 4%.

2. Stable and healthy labor structure

We value gender equality and make every effort to treat employees equally regardless in the appointment or promotion. According statistic records, Fu Hsing in 2020 had 2,870 employees. The numbers of male and female employees were quite similar.

3. Recruitment through multiple channels

Fu Hsing’s employee recruitment and appointment system is transparent. We mainly use 104 Bank in Taiwan to recruit talents and also adopt different recruiting channels, such as direct newspaper advertisement, leaflets, electronic signboard, career station, etc to more flexibly look for appropriate employees according to the vacant posts. For special, higher level and professional manpower, we also collaborate with high-level manpower agency (head hunters) to recruit. Other recruiting channels, such as university’s career expo, professional institution’s talents recommendation, or through employee’s recommendation, etc... can also help people find qualified human resources. In addition, for meeting the trend of fertility decline and professional deficiency in mechanical field, Fu Hsing also cooperated with universities through internship system to lock on outstanding personnel in advance. In 2020, we provided 7

internship posts for National Kaohsiung University of Science and Technology to nurture new bloods in areas of stamping molds, quality assurance, and product design. Besides, we also cooperated with the Kao Yuan University and the Cheng Shiu University to start the curriculum of “New South-bound International Programs of Industry-Academia Collaboration” and provided 24 foreign students (from Vietnam and Philippine) from Kao Yuan University with internship opportunities and 45 Indonesian students work opportunities, allowing them to work during winter vacations or work and study at regular time. Meanwhile, we also started the program of “Industry-Academia Collaboration for Indonesian 2-year College, the 2+1 Program” and provided 3 Indonesian students internship opportunities, so that international students, through the program, are able to actually understand the training of professional skills other than school curriculum by actually participate in the workplace. Following Fu Hsing’s SER policy, we will never recruit child labor that is under 16 years old and forced labor. We treat all employee fairly and equally regardless their origin, gender, religion, racial, nationality, or political attribute.

4. Fair and objective performance evaluation system

The company has a comprehensive and thorough performance management structure. For new employees that hold the post for 3-6 months, we will carry out a “probation assessment” to understand the employee’s adaptation situation and provide necessary support if there is any. For all the current employees, a year end “Annual Performance Assessment” is given in every November to carry out performance evaluation and the Company stresses on “objectivity”, “Fairness”, and “Two-way communication in such evolution. In additional to assess personal job function, starting from 2017, besides assessing unit’s KPI, the Company also takes a step further to carry out personal KPI assessment. All assessments are evaluated in a whole and finally concluded after a performance interview. It is hoped by open and consistent assessing standard as well as a direct two-way communication, superintendents and employees are able to obtain a consensus. In addition, results of the assessment are provided as a basis for individual’s training and development and are also directly connecting to promotion and rewards. We hope by the assessment system, we can stimulate all employees work motivation continuously.

5. Transparent communication and harmonious relationship

The company has proposal-making system and QCC improvement team. Employees can propose suggestions for improvement at any time. The proposal, once being adopted, is given rewards according to its significance level, hoping to stimulate employees to have better creativity. Besides, according to laws the

Company convenes labor conference at least once in every quarter. Through the meeting, the company thoroughly communicates the operation information, labor benefits and other situation with its employees to build a consensus between the company and its employees and create a good relationship to maintain labor-capital harmony and establish consensus. In 2019, the mother company convened 5 labor conferences in total. Also, the company vigorously promotes corporate SER (social and environment responsibility) implementation. Besides new employees' training sessions, the Company also regularly advocates CER concepts through seminars and written advertisements to promote the related ideas to supervisors and employees. In addition, compliant channels are established and made public to employees; so that employees are able to report any SER violation issues to ensure the implementation and promulgation of the company's SER policy. For truly understanding what employees think and feel, the Company carried out an Employee Satisfaction Survey in March 2020. With almost 90% employee's participating and evaluation, the Company received very high satisfactory grade with 5 points out of a total 6 points in the areas of Corporate Culture, Welfare System, and Work Balance. The Group President not only illustrated the results and expressed his appreciation to all the employees with an open letter, but also further led a team to strengthen areas that needed to be addressed in order to realize the Company's promise of Mutual Benefit with its employees.

6. Education training

As for employee's training and education, the Company not only established "Method to subsidize on-job training in graduate level" but also provided various subsidies through the Staff Welfare Committee for employee's on-job trainings to encourage employees to pursue higher education. In addition, the Company also established a comprehensive on-job training system to assist employee with professional skills and knowledge and expand their expertise. Besides various professional trainings, the Company extended the themed training in previous years and continued to promote LEAN technology and QCC in order to transform the concept and apply on the optimization of production mode. In 2020, the Company further customized courses for managers from various ranks to promote their management abilities; meanwhile, in connection with superintendents of department level, section level, team level, and sub-team level, we designed and implemented a total of 25 functional evaluation plans to be further bases in the 2021 program for educational development and training. The execution of education trainings in 2020 is summarized in the following table:

Taiwan Fu Hsing 2020 Education Training Program

Category	Female				Male				Total			
	Number of People	Training Hours	Course Fee	Average Training Hours	Number of People	Training Hours	Course Fee	Average Training Hours	Number of People	Training Hours	Course Fee	Average Training Hours
Director Labor	4,175	6,153	195,938	21	4,735	5,128	527,979	24	8,910	11,281	723,917	25
Indirect Labor	492	2,285	231,355	42	975	4,138	307,900	59	1,467	6,423	539,255	49
Management	154	605	135,380	39	310	2,198	611,570	83	464	2,803	746,950	81
Total	4,821	9,043	562,673	36	6,020	11,464	1,447,449	55	10,841	20,507	2,010,122	48

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

(1) R.O.C. Accountant: 2 people.

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

8. A comprehensive staff welfare network:

Welfare system that provides a comprehensive care to employees	
•	Holiday bonuses given in the Dragon Boat Festival and Mid Autumn Festival and Birthday cash gift
•	Marriage allowance, maternity allowance, new house allowance
•	Funeral grant, disability grant, hospitalization subsidy, and critical illness support
•	A fixed amount lunch subsidy in staff restaurant
•	Year end dinner gather, raffle draw activity, show and art competition
•	Company trip
•	On-job training subsidy
•	Scholarship, grant-in-aid
•	Resignation subsidy, retirement subsidy

(i) Performance of the staff welfare committee

Fu Hsing set up Staff Welfare Committee (the "Welfare Committee" hereinafter) as early as in 1983. The committee members are elected by employees to manage the welfare funds. The Welfare Committee establishes all kinds of subsidy standards and handles various activities based on employee's needs. In 2020, starting from February, the Covid-19 epidemic exploded, to prevent the risk of clustering infection, many annual events and activities were cancelled. Nevertheless, the Welfare Committee still provided some benefits to employees through different manners, such as to provide anti-epidemic allowance, increase holiday's cash gifts, supply holiday gifts, etc... Moreover, the Committee also held small size activities

during the period when the epidemic was alleviated. The Welfare Committee still provided great benefits to our employees; the whole year's employee welfare expense reached 12.73 million dollars. The following table listed major activities in a year besides various subsidies.

Time of the Activity (mm/dd)	Contents of Activity	Contents of Activity
1/6	2019 Year End Meal Gathering (Year End Party)	Employee Meal Gathering & Talent Show and Competition
4/29	Anti-Epidemic's Little Luck	Provided anti-epidemic allowance before the Labor Day (5/1), so employees were able to use the allowance to replenish anti-epidemic related articles.
June	Dragon Festival Celebration	Provided the online hot-selling Zonzi and Dragon Festival cash gift
August	Basketball shooting machine competition	Held the basketball shooting machine competition. There were two teams, including leader team and general team. Also, there were team competitions, while three persons formed a team. The competition lasted 15 days and there were a total of 100 games played.
September	Mid-Autumn Festival Celebration	Provided traditional famous store's pineapple shortcake gift box and Mid-Autumn Festival cash gift (the Company also distributed holiday cash bonus)
10/17~10/18	Shrimp fishing competition	Six competitions were held. The competition was classified into employee game and family game. The prizes included Great Harvest Award (total number of shrimp), Individual Shrimp's Weight Award, and Surprise Award.. After the competition, participants can also enjoy the shrimp's special meals.

(ii) Comprehensive staff welfare facility:

1. Multi-functional court: we had an outdoor basketball court and an indoor multi-functional court (can be used to play basketball, volleyball, and badminton).
2. PE center: The opening hour of the PE center is 17:10~19:00 every Mondays to Fridays. All the employees are free to use the facilities including multi-functional treadmill, elliptical trainer, fitness equipment, pool table, ping-pong table, a Karaoke Room, a multi-functional yoga classroom. Here is the best play for employees to carry out fitness training, throwing birthday parties and doing community activities.
3. Staff restaurant: Among the goals to "improve work environment" in 2020, the Company had invested 5 million dollars to re-construct staff cafeteria. The designer considered the actual needs and re-mapped out the space. The construction took four month to complete. The new staff's cafeteria had completed construction in January 2021. Besides the original features of spacious and bright, the simple and yet warm design along with various optimized facilities, multi-functional audiovisual equipment just made the place to be a five star grade staff cafeteria. The

Company establishes and maintains facilities in the cafeteria, and the Employee Welfare Committee is appointed to operate the cafeteria. For having a 6 dishes and 1 soup 1 unlimited drink at the staff restaurant, employees only need to pay partial cost of the meal and the Welfare Committee subsidizes the remaining. While is considering different diet needs, besides separating meat diet and vegetarian diet, we also customize a Philippine diet area to reflect different nation's dietary preferences and taboos. The special diet area received good comments.

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

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

10. Retirement benefit

Retirement reserve supervisory committee	<ul style="list-style-type: none"> In order to effectively overlook the appropriation and use of the retirement reserve, the Company elects to appoint representatives from both the capital side and labor side to be the Retirement Reserve Supervisory Committee members in every four years according to laws and regulations in order to jointly manage the retirement fund. In Oct. 2018, members of the 9th Retirement Reserve Supervisory Committee were re-elected, in which 6 representatives were from the labor side and 3 representatives were from the capital side. The term of office started from November 2018 to November 2022. Currently the retirement fund management committee has 6 representatives from the labor side and 3 from the capital side. In 2020, 5 retirement application were reviewed.
A comprehensive pension system that also considers about humanity	<ul style="list-style-type: none"> In consideration of statutory requirements, the company fully follows regulations made in the "Labor Standards Act" and "Labor Pension Act" for both new system and old system pension plans. Besides, starting from March 2012, the company adjusted the retirement reserve appropriation rate to the highest level, 15%, and appropriated the highest reserve amount. Starting from April 2018, because there was sufficient fund in the retirement account reserve, the Company adjusted the portion of retirement fund reserve under the old system to 9% and continued make appropriations at the end of March each year into the retirement accounts of the retirement qualified labors of that year to ensure employees' right in the use of the retiring funds. In consideration of humanity, the company also considers that if an employee opts for old system. Under the old pension system, the employee is unable to meet the requirements once he has any significant changes in his life even though the employees has serviced in this company for many years already. In such circumstance, the employee is going to have a big loss in retirement benefit. In view of considering all the employees as Fu Hsing's relatives, the company established the "Employee Retirement Offer Method" in 2008. The Method was sent to the Labor Bureau for approval and as record. In 2017, after being reviewed by the Retirement Reserve Supervisory Committee, the age range of qualification to retirement has been lifted. It explicitly regulated that Fu Hsing employee, if his seniority and age adding together equals to or exceed 70, can apply for "voluntary early retirement application, even though his age is still under 65 years old. Once the company approves the application, the company should calculate the amount of pension depending on the seniority according to the Labor Standards Act. This

	Method has helped many senior employees to retire early from the company without worries, so they were able to transfer their focuses to their families.
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(7)Important contracts: none.

VI. Financial Situation

(1) Condensed Balance Sheets and Statements of Income

1-1. Condensed Consolidated Balance Sheet

Unit: NTD\$1,000

Year Accounts		Financial in the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current asset		\$5,120,102	\$4,674,106	\$4,653,516	\$4,987,169	\$5,649,732
Real estate, plant and facilities		1,715,994	2,139,098	2,670,603	2,800,440	2,809,471
Intangible assets		26,198	26,800	30,051	29,349	29,524
Other assets		717,544	641,534	528,616	546,258	530,792
Total assets		7,579,838	7,481,538	7,882,786	8,363,216	9,019,519
Current liability	Before distribution	1,949,054	1,972,780	1,910,288	1,873,740	2,262,408
	After distribution	2,476,720	2,349,684	2,362,573	2,363,716	(Note 2)
Non-current liability		387,247	357,179	647,435	882,362	793,678
Total liabilities	Before distribution	2,336,301	2,329,959	2,557,723	2,756,102	3,056,086
	After distribution	2,863,967	2,706,863	3,010,008	3,246,078	(Note 2)
Equity attributable to the parent company		5,132,660	5,034,391	5,194,018	5,460,249	5,841,526
Capital		1,884,521	1,884,521	1,884,521	1,884,521	1,884,521
Capital surplus		567,114	567,114	567,114	567,114	567,114
Retained Earnings	Before distribution	2,536,702	2,544,691	2,903,594	3,271,146	3,597,841
	After distribution	2,009,036	2,167,787	2,451,309	2,781,170	(Note 2)
Others equity		144,323	38,065	-161,211	-262,532	-207,950

Treasury stock		—	—	—	—	—
Non Controlling interests		110,877	117,188	131,045	146,865	121,907
Total equities	Before distribution	5,243,537	5,151,579	5,325,063	5,607,114	5,963,433
	After distribution	4,715,871	4,774,675	4,872,778	5,117,138	(Note 2)
Note 1: Reviewed and certified by CPA.						
Note 2: Until the printing date of this annual report, the 2020 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.						

1-2. Condensed individual balance sheet

Unit: NTD\$1,000

Year Accounts		Financial in the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current asset		\$2,414,120	\$2,357,903	\$2,217,129	\$2,407,229	\$2,846,174
Real estate, plant and facilities		902,872	738,088	780,279	791,922	800,059
Intangible assets		858	2,345	3,084	2,510	3,581
Other assets		3,329,837	3,331,353	3,577,146	3,658,990	3,885,115
Total assets		6,647,687	6,429,689	6,577,638	6,860,651	7,534,929
Current liability	Before distribution	1,203,183	1,173,162	1,137,544	1,127,648	1,415,437
	After distribution	1,730,849	1,550,066	1,589,829	1,617,624	(Note 2)
Non-current liability		311,844	222,136	246,076	272,754	277,966
Total liabilities	Before distribution	1,515,027	1,395,298	1,383,620	1,400,402	1,693,403
	After distribution	2,042,693	1,772,202	1,835,905	1,890,378	(Note 2)
Capital		1,884,521	1,884,521	1,884,521	1,884,521	1,884,521
Capital surplus		567,114	567,114	567,114	567,114	567,114
Retained Earnings	Before distribution	2,536,702	2,544,691	2,903,594	3,271,146	3,597,841
	After distribution	2,009,036	2,167,787	2,451,309	2,781,170	(Note 2)
Others equity		144,323	38,065	-161,211	-262,532	-207,950
Treasury stock		—	—	—	—	—
Total equities	Before distribution	5,132,660	5,034,391	5,194,018	5,460,249	5,841,526
	After distribution	4,604,994	4,657,487	4,741,733	4,970,273	(Note 2)

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2020 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

2-1 Condensed consolidated income statement

Unit: NT\$1,000

<div>Year</div> <div>Accounts</div>	Financial in the Past 5 Years (Note 1)				
	2016	2017	2018	2019	2020
Revenue	\$8,398,732	\$8,006,401	\$8,303,458	\$8,681,906	\$9,033,976
Gross margin	2,115,361	1,642,456	1,724,117	2,057,040	2,164,759
Operating profit	1,106,794	808,364	826,209	1,139,882	1,219,309
Non-Operation income (Expense)	53,802	-69,766	149,067	14,341	-114,171
NIBT	1,160,596	738,598	975,276	1,154,223	1,105,138
Continuing operation's income	825,245	569,347	711,425	843,191	832,650
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	825,245	569,347	711,425	843,191	832,650
Other comprehensive income or loss (Net amount after tax)	-163,377	-121,464	-156,905	-108,207	50,657
Total comprehensive Income (Loss)	661,868	447,883	554,520	734,984	883,307
Net profit attributable to owner of the parent	819,739	549,976	693,117	825,693	823,839
Net Profit attributable to minority interest	5,506	19,371	18,308	17,498	8,811
Total comprehensive income attributable to owner of the parent	657,889	429,397	536,531	718,516	871,253
Total comprehensive income attributable to minority interest	3,979	18,486	17,989	16,468	12,054
Earnings per share (Note2)	4.35	2.92	3.68	4.38	4.37

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS (NTD\$1)

2-2Condensed individual income statement

Unit: NT\$1,000

<div>Year</div> <div>Accounts</div>	Financial in the Past 5 Years (Note 1)				
	2016	2017	2018	2019	2020
Revenue	\$5,698,548	\$5,341,232	\$5,634,340	\$6,153,109	\$6,496,926
Gross margin	1,046,859	854,322	960,348	1,209,718	1,356,365
Operating profit	531,083	435,884	490,533	700,136	827,946
Non-Operation income (Expense)	461,454	210,232	367,772	320,813	193,826
NIBT	992,537	646,116	858,305	1,020,949	1,021,772
Continuing operation's income	819,739	549,976	693,117	825,693	823,839
Loss from discontinued operations	—	—	—	—	—
Net income (loss)	819,739	549,976	693,117	825,693	823,839
Other comprehensive income or loss (Net amount after tax)	-161,850	-120,579	-156,586	-107,177	47,414
Total comprehensive Income (Loss)	657,889	429,397	536,531	718,516	871,253
EPS (Note 2)	\$4.35	\$2.92	\$3.68	\$4.38	\$4.37

Note 1: Reviewed and certified by CPA

Note 2: Basic EPS (NTD\$1)

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

Year	Accounting Firm	Name of Accountants	Audit Opinion
2020	PwC Taiwan	WANG, Kuo-Hua WU, Chien-Chih	Unqualified Opinion
2019	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2018	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2017	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2016	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion

(2) Financial analysis

1. Analysis on consolidated Financial

<div>Year</div> <div>Analysis list (Note2)</div>		Financial analysis in the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Financial Structure %	Debt ratio	30.82	31.14	32.45	32.96	33.88
	Ratio of Permanent Capital to Fixed Assets, plants, and equipment	328.14	257.53	223.64	231.73	240.51
Solvency%	Current ratio	262.70	236.93	243.60	266.16	249.72
	Quick ratio	218.08	187.19	188.31	212.36	191.59
	Times interest earned	1,852.03	530.46	385.72	148.73	154.24
operating ability	Account receivable turnover (times)	5.04	4.97	5.49	5.76	5.41
	Average Collection Days	73	73	66	63	67
	Inventory turnover (times)	7.36	7.06	6.59	6.46	5.88
	Account payable turnover (times)	5.43	5.27	5.56	6.05	5.62
	Average inventory turnover days	50	52	55	56	62
	Fixed properties, plants and equipment turnover (times)	4.72	4.15	3.45	3.17	3.22
	Total assets turnover (times)	1.12	1.06	1.08	1.07	1.04
Profitability	Return on assets (%)	10.99	7.32	9.05	10.24	9.55
	Return on Equity (%)	15.81	10.58	13.23	15.11	14.24
	NIBT to Paid-in-Capital (%)	61.59	39.19	51.75	61.25	58.64
	Profit margin (%)	9.76	6.87	8.35	9.51	9.12
	EPS (dollar)	\$4.35	\$2.92	\$3.68	\$4.38	\$4.37
Cash Flow	Cash flow ratio (%)	75.76	39.43	29.48	67.54	10.14
	Cash flow adequacy ratio (%)	150.38	130.16	114.70	126.14	97.17
	Cash re-investment ratio	14.62	3.87	2.68	10.79	-3.29

	(%)					
Leverage	Operation leverage	2.68	2.64	2.59	2.09	2.03
	Financial leverage	1.00	1.00	1.00	1.01	1.01

Note 1: Reviewed and certified by CPA.

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

- (1) Cash Flow Ratio: was mainly influenced by the purchase of beneficiary benefit, so there was lower cash inflow in 2020's operational activities.
- (2) Cash Flow Adequacy Ratio: was mainly influenced by (1) caused lower cash inflow from the most recent five year's operational activities
- (3) Cash Re-Investment Ratio: was mainly influenced by (1) caused lower cash inflow in 2020's operational activities.

Note 2: Formulas:

1. Financial structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of Permanent Capital to Fixed Assets, plants, and equipment = (Total equity + non-current liabilities) / Net amount of fixed properties, plants and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities
- (3) Times interest earned = Net income before tax and interests / Interest expense of the term

3. Operating ability

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

4. Profitability

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

5. Cash Flow (Note 5)

- (1) Cash flow ratio = Cash flow generated during operation activities / Current liabilities

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

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

6. Leverage:

(1) Operation leverage = (Net sales revenue – Variable operation cost and expenses) / Operation profit (Note 6)

(2) Financial leverage = Operation profit / (Operation profit – Interest expense)

Note 3: The followings should be cautious while calculating EPS based on above formulas:

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

Note 4: While doing cash flow analysis, the following issues should be especially paid attention to:

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

Note 5: The issuer should classify all the operation costs and operation expenses into fixed and variables, and should pay attention to the consistency when the classification is not easy to make.

Note 6: If the company's securities have no face value or face value other than NT\$10, the aforementioned formulas that involve calculations of paid-in capital should be replaced with the proportion of equity attributable to owners of the parent on the Balance Sheets to calculate.

2. Analysis on individual financial status

Year Analysis list (Note 2)		Financial analysis in the Past 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Financial Structure %	Debt ratio	22.79	21.70	21.04	20.41	22.74
	Ratio of Permanent Capital to Fixed Assets, plants, and equipment	603.02	712.18	697.20	723.94	764.88
Solvency%	Current ratio	200.64	200.99	194.90	213.47	201.08
	Quick ratio	175.25	175.66	166.57	174.70	170.26
	Times interest earned	41,357	2,486	66,024	127,620	12,615
operating ability	Account receivable turnover (times)	5.37	5.29	6.04	6.52	5.99
	Average Collection Days	68	69	60	55	60
	Inventory turnover (times)	15.57	14.43	14.36	12.37	11.00
	Account payable turnover (times)	5.90	5.54	6.28	7.89	7.48
	Average inventory turnover days	24	25	25	29	33
	Fixed properties, plants and equipment turnover (times)	6.24	6.46	7.37	7.78	8.12
	Total assets turnover (times)	0.86	0.81	0.86	0.91	0.90
Profitability	Return on assets (%)	12.45	8.41	10.66	12.29	11.45
	Return on Equity (%)	16.18	10.82	13.55	15.50	14.58
	NIBT to Paid-in-Capital (%)	52.67	34.29	45.54	54.18	54.22
	Profit margin (%)	14.47	10.37	12.38	13.49	12.74
	EPS (dollar)	\$4.35	\$2.92	\$3.68	\$4.38	\$4.37
Cash Flow	Cash flow ratio (%)	73.58	76.94	40.49	71.63	22.64
	Cash flow adequacy ratio (%)	122.72	134.67	126.32	138.47	122.96
	Cash re-investment ratio (%)	6.31	6.82	1.55	6.23	-2.81
Leverage	Operation leverage	3.58	3.95	3.95	3.40	3.49
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Note1. Reviewed and certified by CPA.

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

- (1) Times Interest Earned: although the interest payment on loans maintained low, the interest payment in 2020 comparing to 2019 increased slightly, and so caused the changes in the ratio.
- (2) Cash Flow Ratio: was mainly influenced by the purchase of beneficiary benefit, so there was lower cash inflow in 2020's operational activities.

-
- (3) Cash Re-Investment Ratio: was mainly influenced by (2) caused lower cash inflow from operational activities in 2020.

Note 2: Formulas:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of Permanent Capital to Fixed Assets, plants, and equipment = (Total equity + non-current liabilities) / Net amount of fixed properties, plants and equipment

(1) Current ratio = Current assets / Current liabilities

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

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

3. Operating ability

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

(2) Days sales in account receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventories

(4) Account payable turnover (including Account payable and Notes payable arising from operations) = Cost of goods sold / Average balance of all the payable (including Account payable and Notes payable arising from operations)

(5) Average days in sales = 365 / Inventory turnover

(6) Fixed properties and equipment turnover = Net sales / Net amount of fixed properties and equipment

(7) Total assets turnover = Net sales / Average total assets

4. Profitability

(1) Return on assets = [NIAT + Interest expense(1-tax rate)] / Average total assets

(2) Return on shareholder's equity = NIAT / Average total stockholder's equity

(3) Profit ratio = NIAT / Net sales

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

5. Cash Flow (Note 5)

(1) Cash flow ratio = Cash flow generated during operation activities / Current liabilities

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

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

6. Leverage:

(1) Operation leverage = (Net sales revenue - Variable operation cost and expenses) / Operation profit (Note 6)

(2) Financial leverage = Operation profit / (Operation profit - Interest expense)

Note 3. The followings should be cautious while calculating EPS based on above formulas:

1. Should take the weighted average total number of common shares instead of the total issued shares at the year-end as the basis.
2. Whenever there is capital increase by cash or treasury stock transaction, the calculation of weighted average shares should also take the shares during the circulation period into consideration.
3. Whenever there is capital increase by earnings or capital increase by capital surplus, the calculation of EPS during the past years and the

half year should take retroactive proportional adjustment based on the proportion of capital increase without considering the period during the capital increase.

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

Note 4: While doing cash flow analysis, the following issues should be especially paid attention to:

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

Note 5: The issuer should classify all the operation costs and operation expenses into fixed and variables, and should pay attention to the consistency when the classification is not easy to make.

Note 6: If the company's securities have no face value or face value other than NT\$10, the aforementioned formulas that involve calculations of paid-in capital should be replaced with the proportion of equity attributable to owners of the parent on the Balance Sheets to calculate.

(3) Audit Committee's audit statement on the most recent fiscal year's financial report

Supervisor's Audit Statement

Attn: Taiwan Fu Hsing Industrial Co., Ltd. 2021 General Shareholders' Meeting

In accordance with the Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee have examined the company's operation report and motions of earnings distribution along with the company's financial reports and the consolidated financial reports that were audited and signed by Accountants, WANG Kuo-Hua and WU Chien-Chih, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2020, and found them in order.

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

Convener: CHANG, Ling-Ling

March 9th, 2021

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

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

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

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

financial situation should be disclosed: None.

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

1. Two year comparisons on financial situation

Unit: NT\$1,000

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	\$5,649,732	\$4,987,169	\$662,563	13%
Fund & Investments	322,602	282,169	40,433	14%
Real estate, factory and equipment	2,809,471	2,800,440	9,031	0%
Other assets	237,714	293,438	-55,724	-19%
Total assets	9,019,519	8,363,216	656,303	8%
Current liabilities	2,262,408	1,873,740	388,668	21%
Non-current liabilities	793,678	882,362	-88,684	-10%
Total liabilities	3,056,086	2,756,102	299,984	11%
Capital	1,884,521	1,884,521	-	-
Capital surplus	567,114	567,114	-	-
Retained earnings	3,597,841	3,271,146	326,695	10%
Other equity	-207,950	-262,532	54,582	-21%
Minor interests	121,907	146,865	-24,958	-17%
Total shareholder's equity	5,963,433	5,607,114	356,319	6%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Current Liabilities increased: was mainly due to more materials purchased to respond accordingly to the prepared materials going to be used during Chinese Lunar New Year holidays and price increase of materials, so the increased account payable in 2020 caused the increase in current liabilities.</p> <p>(2) Changes in Other Equity: was mainly due to the change in value of the invested listed company's stocks.</p> <p>2. Impacts of the changes: No significant influence to the Company's financial situation.</p> <p>3. Future plan to meet the changes: Not applicable.</p>				

2. Two year comparison on the operational performance

Unit: NT\$1,000

Item \ Year	2020	2019	Increase (Decrease)	Change %
Total sales	\$9,033,976	\$8,681,906	\$352,070	4%
Operating Cost	6,869,217	6,624,866	244,351	4%
Gross Margin	2,164,759	2,057,040	107,719	5%
Operating Expenses	945,450	917,158	28,292	3%
Operating Profit	1,219,309	1,139,882	79,427	7%
Non-operating income and expenses	-114,171	14,341	-128,512	-896%
Net income before tax	1,105,138	1,154,223	-49,085	-4%
Tax	272,488	311,032	-38,544	-12%
Net income after tax	832,650	843,191	-10,541	-1%
Other comprehensive income (after tax – net)	50,657	-108,207	158,864	-147%
Total comprehensive income	883,307	734,984	148,323	20%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Non-operating income and expenses decreased: was mainly due to increased currency loss in 2020.</p> <p>(2) Changes in Other Comprehensive Income (after tax –net): was mainly due to the exchange differences on translation of foreign financial statements and the adjustment in value of the invested listed company's stocks.</p> <p>(3) Total Comprehensive Income increased: was mainly influenced by (2).</p> <p>2. Estimated sales volume in the future year and the basis: according to our experiences in the past and the observations of the trend of future industrial growth, we expect to sell 50,000~60,000 thousand units in 2021.</p> <p>3. Possible influences on the company's future financial situation and the encountering measures: No significant influences on financial situation..</p> <p>4. Future plan to meet the changes: Not applicable.</p>				

3. Review and analysis Table on Cash Flows

1. Analysis on the changes in cash flow in current year

Unit: NT\$1,000

Year Item	2020	2019	Changes	
			Amount	%
Net cash flow	\$-516,696	\$546,996	\$-1,063,692	206
<p>(1) Net cash inflow decreased in 2020 comparing to 2019 was mainly due to the increased need in operating working capital to meet growing sales scale in 2020. Also, partial cash in 2020 were invested in money market funds (recorded as financial assets and liabilities at fair value through profit or loss) to improve the flexibility and efficiency of fund use.</p> <p>(2) Improvement on insufficient liquidity: The company has sufficient cash in hand. There was no insufficient liquidity situation.</p>				

2. Cash flow analysis for the future year:

Unit: NT\$1,000

Beginning cash balance	Estimated cash inflow from operating activities of the year	Estimated cash outflow of the year	Estimate amount of cash surplus (insufficient)	Supplement measures for insufficient cash	
				Investment planning	Financial planning
\$1,732,255	\$9,003,511	\$8,870,071	\$1,865,695	-	-
<p>(1) Analysis on the estimated cash flow changes in 2021</p> <p>A. Operation activity: Expect the Company can still maintain stable profit and cash inflow.</p> <p>B. Investment activity: Continued expenditures on equipment procurement and facility replacement are expected.</p> <p>C. Financing activity: Expect to have cash outflows due to cash dividend distribution.</p> <p>(2) The make-up plan for insufficient cash, and the analysis on solvency: We expect cash is enough in 2021.</p>					

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

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

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

Current strategy to make investment is focus on the expansion of product lines, and promotion of operation synergy and overall competitiveness. In 2020, the Company recognized NT\$223,970 thousand dollars as profits from re-investments under equity method. The overall operation conditions in relation to such re-investments under equity method were good. In this year, we will continue to carefully evaluate investment projects based on our long-term strategic view to meet the need of operational development.

6 Risk management & assessment

1. Organization structure for risk management:

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

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

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

The responses to risks are listed as below:

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

import purchases with the expectation to reduce the exchange rate fluctuation risk.

- (3) Response to risks of inflation: The price of international energy and bulk materials started to go up since the fourth quarter in 2020. The Company will continue to discuss the relevance of all the consumed energies and try to develop alternative materials, through R&D, to control our procurement cost and reduce unnecessary wastes. We expect to reduce operational pressure through more effective resources utilization.

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

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

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

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

- (1) Mechanic door lock:

a. For home use door lock, the focus is put on the market of residential complex in the North America. Using current Grade 2 and Grade 3 structure as the base, the product R&D aims at providing wider range of product combinations to fulfill customers in different markets and channels in the needs of product appearance, mechanical strength, fitting, and others. We will especially strengthen the flexibilities in appearance selection, continue to develop new surface treatment products, and provide more alternatives in color selection and arrangement in order to meet consumer’s diverse home design styles.

b. For commercially medium to heavy door products, the focus will be put on ANSI Grade 1 and UL fire proof products. We will continuously add new functions and develop surface treatment products that have special functions (such as antibacterial coating) to meet the need of specific market, expand market coverage, and also keep moving toward products with higher technology barrier and higher values.

c. The Company has become one of the members in the Builders Hardware

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

(2) Electronic door lock:

- a. Current production line is getting more and more integrated. Besides the existing push-bottom lock and electronic touch lock, in the light of customers from different groups the newly developed film keypad electronic lock will provide differentiated appearance and increase the marketing breadth.
- b. While more and more electronic products are able to connect to smart phones, we have developed electronic locks with Bluetooth connection function. In addition, we plan to integrate the products with cloud system and wifi technology in order to upgrade Bluetooth door lock to have remote control function. Furthermore, we'll take a further step to integrate cell phone's APP interface and smart speaks, such as Google Nest, Amazon Echo, etc..., and connect with other IoT devices to create a brand new application and user experiences.
- c. The home automation market in North America is gradually going to become one mature market. Taiwan Fu Hsing also follows major customer's technological development path to develop the new generation Z-wave electronic locks, which are able to cooperate with customer's own user platform to provide end users with a more comprehensive access security management system.
- d. For commercial use electronic door locks, the market always requires more intense integration power in electro-mechanical technology and software. With the strengths in the mechanic door lock's manufacturing ability, R&D ability, and professional supports from its partners, Taiwan Fu Hsing is able to develop a comprehensive door lock system in the light of commercial door lock's use environment, like in residential complex, to reduce customer's cost in public access management.

(3) The planned R&D investment: The planned R&D expense in 2021 was 239,838 thousand New Taiwan Dollars.

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

There was no impact on the Company's financial operations due to the changes

in domestic major policies or regulations. Besides, the Company centers on developed nations, such as U.S. and EU, where have relatively stable regulations and policies, so foreign policies and regulations should not cause significant influence on our financial situation. However, we will still keep an eye on the external changes.

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

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

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

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

8 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: There is no significant merger or acquisition project.

9 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:
There is no major factory expansion project.

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

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

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

13 Litigious and non-litigious matters:

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

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

7. Other important matters: None.

VIII Special Notes

(1) Disclosure regarding affiliated companies

I. Organization status of the affiliated companies

(1) Organization chart of the affiliated companies

Data drawn on Dec. 31st, 2020



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

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

II. Information on affiliated companies

Date Drawn on Dec. 31st, 2020

Unit: NT\$1,000

企業名稱 Name of Enterprise	設立日期 Founding Date	地址 Address	實收資本額 capital	主要營業或生產專案 Business Scope
FU HSING AMERICAS, INC. 福興美國股份有限公司	May 25 th , 1999	1424 Buford Business Boulevard Suite #100 Buford, GA 30518	9,637	Distribution of door locks and door closer related products.
Master United Investment Group Ltd. 馬斯特投資有限公司	Jan. 23 rd , 1998	P.O.BOX3321,Road Town, Tortola, BRITISH VIRGIN ISLANDS	538,240	Reinvestment business.
Ziyong Hardware Products (Taichang) Co., Ltd. 資勇五金製品(太倉)有限公司	Mar. 27 th , 1998	Next to National Highway 204 in Nanjiao Dist., Chengxiang Town, Taichang City, Jiangsu Province, P.R.C.	512,839	The manufacture, process, and sales of metal stamping products and the related surface process (electroplating & based painting)
Fortress Industrial Co., Ltd. 合興工業股份有限公司	May 16 th , 2012	No.103, Hsingong 1 st Rd., Dahsing Village, Beidou Township, Changhua County, Taiwan R.O.C.	399,300	The production and sale of door closer, panic exits and hinges related products.
Arctek (Shanghai) Safety Protection Technology Co., Ltd. 艾德克安防科技(上海)有限公司	Mar. 16 th , 2012	No.11, 4F, Room 412, Allay 4666, Gonghexin Rd., Xiabei Dist., Shanghai City, P.R.C.	107,746	The sale of door closer and door hinge and floor hinge related products.
Formflex Enterprise Co., Ltd. 福弘國際股份有限公司	Feb. 1 st , 2005	Unit 25, 2 nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	741,744	Reinvestment business.
Formflex Metal Industrial (Changshu) Co., Ltd. 福弘金屬工業(常熟)有限公司	May 12 th , 2005	No.120, Huangpujiang Rd., Changshou National New & Hi-tech Industrial Development Zone, Jiangsu Province, P.R.C.	735,090	The production and sale of door locks and related parts
Fortune Industrial Ltd. 福承工業有限公司	Aug. 3 rd , 2007	Unit 25, 2 nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	13,133	Reinvestment business.
ChangShu Fortune Packing Material Co., Ltd. 常熟福誠包裝材料有限公司	Oct. 11 th , 2007	Huangpujiang Rd., Southeast Economic Development Zone, Changshu, Jiangsu Province, P.R.C.	13,133	The production of packaging materials and plastic parts
Arctek Industrial Co., Ltd. 朕豪工業股份有限公司	Jul. 27, 1994	No. 1, Sihai Rd. Sec. 1, Beidou Township, Changhua County, Taiwan R.O.C.	83,400	The production and sale of upper/lower hinge related products
Rui Sheng Industrial Co., Ltd. 銳昇工業股份有限公司	Apr. 28 th , 2009	No. 1, Sihai Rd. Sec. 1, Beidou Township, Changhua County, Taiwan R.O.C.	10,800	The production and sale of upper/lower hinge related products
Hundure Technology co., ltd. 漢軍科技股份有限公司	Apr. 10, 1989	No. 10, 7F, Lane 609, Chongxin Rd. 5 th Sec., Sanchong Dist., New Taipei City, R.O.C.	104,162	The production and sale of electronic control facility, electronic fire protection and monitoring system
Fortress Door Control Product (Changshu) Co., Ltd. 合興門控製品(常熟)有限公司	Mar. 12, 2014	High Tech Industrial Development Zone in	90,750	The manufacturing of door closer related products

		Huangpujiang Rd., Changshu, Jiangsu Province, P.R.C.		
Tong Hsing Enterprise Co., Ltd. 同興股份有限公司	Dec. 16, 2014	No.12, Bengong Rd., Kangshan Dist., Kaohsiung, R.O.C.	800,000	The processing and sale of hardware products
Sunion Technology Co., Ltd. 興囑科技股份有限公司	Aug. 16, 2019	No.69, 6F, Guangfu Rd., Sanchong Dist., New Taipei City, R.O.C.	29,000	The production and sale of parts for electronic locks

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

IV. Industries involved by the overall affiliated companies

- i. Business of the company and affiliated companies: including manufacturing industry and investment industry.
- ii. The company is mainly involved in the manufacturing and sales of door lock and door related metal accessories. Based on 2020 operations, the sales and procurement information involving affiliated companies are stated as below:

The transaction among affiliated companies:

A.

Unit:NTD1,000

Item	Affiliated Party		2020
Merchandises sales	Subsidiary	FHA	\$124,661
		Others	\$2,482
Labor sales	Subsidiary	Ziyong (Taichung)	16,833
		Formflex (Changshu)	\$7,412
		Others	\$6,624
Total			\$158,012

B.

Unit: NTD1,000

Item	Affiliated Party		2020
Merchandises Procurement	Subsidiary	Formflex (Changshu)	\$1,594,598
		Ziyong (Taichang)	\$148,997
		Tong Hsing	\$348,350
		Others	\$109,981
Labor expenditures	Subsidiary	F.H.A.	\$59,182
Total			\$2,261,108

V. Loaning of funds situation

Unit: NT1,000

Borrower	Accounts	Whether the borrower is a related party	The highest amount endorsed during the period	Ending balance in the period	Amount actually used	The range of interest rate	Type of the fund	Amount of business transaction involved	Reason for short term financial needs	Allowance for bad debt amount appropriated	Collateral		Ceiling of funds loaned to a single company	Ceiling of Total Loan Fund	Note
											Name	Value			
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	\$15,088	-	-	2.50%	Note 1(1)	\$124,661	-	-	None	-	\$124,661	\$1,168,305	Note2
Arctek Security Technologies (Shanghai) Co., Ltd.	Other Account Receivable – Related party	Yes	173,040	83,160	83,160	2.5%	Note 1(2)	-	As working capital	-	None	-	183,277	274,915	Note3
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	6,310	-	-	2.50%	Note1(2)	-	As working capital	-	None	-	68,779	96,322	Note3
Arctek Industrial Co., Ltd.	Other Account Receivable – Related Party	Yes	110,000	60,000	35,000	2.616%	Note 1(1)	141,971	-	-	None	-	133,741	133,741	Note3

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

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

Note 2. The Company's operational procedures for the making of endorsement/guarantee to others are listed as below:

1: The total fund lent to company or enterprise that has business relationship with the Company should not exceed 20% of the Company's net worth stated on the most recent financial report. Total fund lent to a single company must not exceed the total business transaction amount with the Company in the most recent year.

2: The total fund lent to company or enterprise that has short term financing needs should not exceed 10% of the Company's net worth stated on the most recent financial report. Total fund lent to a single company must not exceed 50% of the borrower's net worth stated in the most recent audited financial report.

Note 3. According to the Company's operational procedures for the making of endorsement/guarantee to others, the ceiling of total lending amount and the reason of borrowings are

listed as below:

1. The total fund lent to company or enterprise that has business relationship with the Company should not exceed 20% of the borrower's net worth.

Total fund lent to a single company must not exceed the total business transaction amount with the Company in the most recent year.

2: The total fund lent to company or enterprise that has short term financing needs should not exceed 10% of the borrower's net worth.

Total fund lent to a single company must not exceed 50% of the borrower's net worth stated in the most recent audited financial report.

3. Total fund transferred among subsidiaries that have the same parent company and have short term financial needs for operation should not exceed 30% of the subsidiary's net worth. The total amount lend to an individual company must not exceed 20% of the subsidiary's net worth.

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

6. Directors, supervisors, presidents of the affiliated companies

Data drawn on Dec. 31, 2020				
Name of Business	Title	Name or Representative	Holding Shares	
			Shares	Holding %
FU HSING AMERICAS, INC.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	300,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang		
Master United Investment Group Ltd.	Chairman (representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	1,560,000	100
Ziyong Hardware Products (Taichang) Co., Ltd.	Chairman (Representative of Master United Investment Group Ltd.)	CHEN, Chien-Kun	Limited company, not applicable	100
	Director (Representative of Master United Investment Group Ltd.)	LIN, Wen-Hsing		
	Director (Representative of Master United Investment Group Ltd.)	LIN, Teng-Tsai		
	Director (Representative of Master United Investment Group Ltd.)	SHIH, Chin-Hung		
	Director (Representative of Master United Investment Group Ltd.)	CHU, Jung-Ho		
	Supervisor (Representative of Master United Investment Group Ltd.)	WANG, Yu-Wen		
Formflex Enterprise Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	23,704,000	100
Fortress Industrial Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	39,930,000	100
	Vice Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	39,930,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	39,930,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIU, Ju-Shan	39,930,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Shuan	39,930,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	HUANG, Fu-Ti	39,930,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	39,930,000	100
Arctek (Shanghai) Safety Protection Technology Co., Ltd.	Chairman (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	LIN, Tzu-Shuan	Limited company, not applicable	100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	LIN, Jui-Chang		
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	CHEN, Chien-Kun		
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	LIN, Teng-Tsai		

	Supervisor (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	WANG, Yu-Wen		
Formflex Metal Industrial (Changshu) Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Supervisor (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Chien-Kun CHEN, Yung-Chih LIN, Teng-Tsai CHU, Jung-Ho LIN, Wen-Hsing LI, Kuo-Wei	Limited company, not applicable	100
Fortune Industrial Ltd.	Chairman	TSAI, Ching-Chin	19600	49
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		51
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Yung-Chih	204,000	--
Changshu Fortune Packing Material Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Director (Representative of Formflex Enterprise Co., Ltd.) Supervisor (Representative of Formflex Enterprise Co., Ltd.)	TSAI, Ching-Chin LIN, Teng-Tsai CHEN, Yung-Chih LI, Kuo-Wei	Limited company, not applicable	100
ARCTEK Industrial Co., Ltd.	Chairman	LIN, Jui-Chang	0	0
	Director	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	LIN, Chou-Hsien	0	0
	Director	TSAO, Yung-Chuan	0	10
	Supervisor	LIN, Tzu-Shuan	0	0
	Supervisor	LI, Kuo-Wei	0	0
Rui Sheng Industrial Co., Ltd.	Chairman	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	TSAO, Yung-Chuan	0	0
	Director	TAI, Hsu-Sung	216,000	20
	Director	TAI, Li-Kai	108,000	10
	Supervisor (Representative of ARCTEK Industrial Co., Ltd.)	LI, Kuo-Wei	756,000	70
	Supervisor (Representative of ARCTEK Industrial Co., Ltd.)	TAI, TZU-Chin	756,000	70
Hundure Technology Co., Ltd.	Chairman	LIN, Chao-Hung	0	0
	Director	LIN, Tzu-Yang	0	0
	Director	LI, Chi-Chih	566,395	5
	Director (Representative of Taiwan Shin Kong Security Co., Ltd.)	HSU, Chen-Yen	683,424	7
	Director	CHU, Jung-Ho	0	0
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	6,615,390	64
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	TAI, Tzu-Chin	6,615,390	64
Fortress Door Control Product (Changshu) Co., Ltd.	Chairman (Representative of Fortress Industrial Co., Ltd.)	CHEN, Chien-Kun		
	Director (Representative of Fortress Industrial Co., Ltd.)	CHU, Jung-Ho		
	Director (Representative of Fortress Industrial Co., Ltd.)	LIN, Teng-Tsai		
	Director Representative of Fortress Industrial Co., Ltd.)	LIN, Wen-Hsing		
	Director Representative of Fortress Industrial Co., Ltd.)	LIN, Tzu-Shuan		
	Supervisor (Representative of Fortress Industrial Co., Ltd.)	LI, Kuo-Wei		
Tong Hsing Enterprise Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	80,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	80,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Teng-Tsai	80,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Shuan	80,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	80,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	80,000,000	100
Sunion Technology Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	2,900,000	100

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

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

Data drawn on Dec. 31st, 2020

Unit: NT\$1,000

Name of Business	Capital	Total Asset	Total Liability	Net Worth	Revenues	Operation Profits	Net Income	EPS (loss))
							(After Tax)	(in NTD) (after tax)
FU HSING AMERICAS, INC.	9,637	197,096	56,951	140,145	192,955	13,953	11,269	37.56
Master United Investment Group Ltd.	538,240	741,914	-	741,914	-	28,417	28,417	18.22
Ziyong Hardware Products (Taichang) Co., Ltd.	512,839	1,270,672	528,465	742,207	1,440,540	70,630	28,417	Note
Arctek (Shanghai) Safety Protection Technology Co., Ltd.	107,746	42,096	93,506	(51,410)	26,585	(832)	(1,972)	"
Formflex Enterprise Co., Ltd.	741,744	963,213	-	963,213	-	(160)	137,740	5.81
Formflex Metal Industrial (Changshu) Co., Ltd.	735,090	1,462,947	546,161	916,786	1,803,164	220,916	135,545	Note
Fortune Industrial Ltd.	13,133	22,544	-	22,544	-	3,812	3,812	18.69
Changshu Fortune Packing Material Co., Ltd.	13,133	36,533	14,000	22,533	51,672	4,085	3,812	Note
ARCTEK Industrial Co., Ltd.	83,400	172,304	52,064	120,240	217,591	(7,805)	(424)	(50.84)
Rui Sheng Industrial Co., Ltd.	10,800	38,793	5,403	33,390	30,753	893	2,134	1.98

Fortress Industrial Co., Ltd.	399,300	953,069	284,362	668,707	1,121,594	54,207	42,320	1.06
Hundure Technology co., Ltd.	104,162	302,245	121,053	181,192	174,316	18,169	17,708	1.70
Fortress Door Control Product (Changshu) Co., Ltd.	90,750	126,143	44,308	81,835	140,581	(2,007)	(4,393)	Note
Tong Hsing Enterprise Co., Ltd.	800,000	1,246,682	502,083	744,599	560,652	11,466	1,933	0.02
Sunion Technology Co., Ltd.	29,000	49,054	17,383	31,671	102,297	5,027	4,055	1.40

Note: Limited company, not applicable

(2) Private placement of securities: None.

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

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

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

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

PWCR20000400

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, 2020 and 2019, 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, 2020 and 2019, 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 2020 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 2020 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\$227,958 thousand and NT\$185,904 thousand, constituting 3% and 3% of the total assets as at December 31, 2020 and 2019, respectively, and the comprehensive income recognised from associates and joint ventures accounted for under the equity method amounted to NT\$12,828 thousand and NT\$21,370 thousand, constituting 1% and 3% 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.

Wang, Kuo-Hua

Wu, Chien-Chin

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2021

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	466,878	6	\$	798,952	12
1110	Financial assets at fair value through profit or loss - current	6(2)		545,353	7		45	
1136	Current financial assets at amortised cost	6(3)		133,677	2		162,780	2
1150	Notes receivable, net	6(4)		17,952	-		19,494	-
1170	Accounts receivable, net	6(4)		1,124,989	15		891,671	13
1180	Accounts receivable - related parties	6(4) and 7		71,684	1		30,504	1
1210	Other receivables - related parties	7		17,020	-		25,537	-
130X	Inventories	6(5)		418,309	6		418,695	6
1476	Other current financial assets			2,712	-		2,698	-
1479	Other current assets, others			47,600	1		56,853	1
11XX	Current Assets			2,846,174	38		2,407,229	35
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(6)		322,602	4		277,526	4
1550	Investments accounted for under equity method	6(7)		3,490,072	46		3,319,531	48
1600	Property, plant and equipment	6(8)		800,059	11		791,922	12
1780	Intangible assets			3,581	-		2,510	-
1840	Deferred income tax assets	6(21)		56,929	1		48,135	1
1980	Other non-current financial assets			8,666	-		8,290	-
1990	Other non-current assets, others			6,846	-		5,508	-
15XX	Non-current assets			4,688,755	62		4,453,422	65
1XXX	Total assets		\$	7,534,929	100	\$	6,860,651	100

(Continued)

TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 113	-	\$ -	-
2170	Accounts payable		365,408	5	313,311	5
2180	Accounts payable - related parties	7	464,745	6	230,508	3
2200	Other payables	6(9)	429,479	6	363,464	5
2220	Other payables - related parties	7	35,300	1	103,250	2
2230	Current income tax liabilities		105,480	1	99,897	1
2399	Other current liabilities, others		14,912	-	17,218	-
21XX	Current Liabilities		1,415,437	19	1,127,648	16
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	170,987	2	170,670	3
2640	Accrued pension liabilities	6(10)	106,979	1	102,084	1
25XX	Non-current liabilities		277,966	3	272,754	4
2XXX	Total Liabilities		1,693,403	22	1,400,402	20
Equity						
Share capital						
3110	Share capital - common stock	6(11)	1,884,521	25	1,884,521	28
Capital surplus						
3200	Capital surplus	6(12)	567,114	8	567,114	8
Retained earnings						
3310	Legal reserve	6(13)	1,117,684	15	1,035,700	15
3320	Special reserve		262,532	4	161,211	2
3350	Unappropriated retained earnings		2,217,625	29	2,074,235	30
Other equity interest						
3400	Other equity interest	6(14)	(207,950)	(3)	(262,532)	(3)
3XXX	Total equity		5,841,526	78	5,460,249	80
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 7,534,929	100	\$ 6,860,651	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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			For the Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15) and 7		\$ 6,496,926	100	\$ 6,153,109	100
5000 Operating costs	6(5)(19)(20) and 7		(5,140,561)	(79)	(4,943,391)	(80)
5900 Net operating margin			<u>1,356,365</u>	<u>21</u>	<u>1,209,718</u>	<u>20</u>
Operating expenses	6(19)(20) and 7					
6100 Selling expenses			(183,249)	(3)	(182,042)	(3)
6200 General & administrative expenses			(242,536)	(4)	(230,990)	(4)
6300 Research and development expenses			(102,764)	(2)	(95,115)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		<u>130</u>	<u>-</u>	<u>(1,435)</u>	<u>-</u>
6000 Total operating expenses			<u>(528,419)</u>	<u>(9)</u>	<u>(509,582)</u>	<u>(8)</u>
6900 Operating profit			<u>827,946</u>	<u>12</u>	<u>700,136</u>	<u>12</u>
Non-operating income and expenses						
7100 Interest income	6(16) and 7		6,193	-	13,915	-
7010 Other income	6(17)		18,194	-	13,177	-
7020 Other gains and losses	6(18)		(54,450)	(1)	(21,952)	-
7050 Finance costs			(81)	-	(8)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net			<u>223,970</u>	<u>4</u>	<u>315,681</u>	<u>5</u>
7000 Total non-operating income and expenses			<u>193,826</u>	<u>3</u>	<u>320,813</u>	<u>5</u>
7900 Profit before income tax			<u>1,021,772</u>	<u>15</u>	<u>1,020,949</u>	<u>17</u>
7950 Income tax expense	6(21)		<u>(197,933)</u>	<u>(3)</u>	<u>(195,256)</u>	<u>(3)</u>
8200 Profit for the year			<u>\$ 823,839</u>	<u>12</u>	<u>\$ 825,693</u>	<u>14</u>
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(10)		(\$ 12,432)	-	(\$ 1,286)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(6)(14)		44,811	1	(24,518)	(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			1,971	-	(4,827)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)		<u>2,486</u>	<u>-</u>	<u>257</u>	<u>-</u>
8310 Components of other comprehensive income that will not be reclassified to profit or loss			<u>36,836</u>	<u>1</u>	<u>(30,374)</u>	<u>(1)</u>
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Other comprehensive loss, before tax, exchange differences on translation	6(14)		(100,252)	(2)	(45,213)	(1)
8380 Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss			<u>110,830</u>	<u>2</u>	<u>(31,590)</u>	<u>-</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss			<u>10,578</u>	<u>-</u>	<u>(76,803)</u>	<u>(1)</u>
8300 Other comprehensive income (loss) for the year			<u>\$ 47,414</u>	<u>1</u>	<u>(\$ 107,177)</u>	<u>(2)</u>
8500 Total comprehensive income for the year			<u>\$ 871,253</u>	<u>13</u>	<u>\$ 718,516</u>	<u>12</u>
Basic earnings per share	6(22)					
9750 Total basic earnings per share			\$ 4.37		\$ 4.38	
9850 Total diluted earnings per share			\$ 4.26		\$ 4.27	

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other equity interest		
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains or lossses on financial assets measured at fair value through other comprehensive income	Total equity
<u>2019</u>									
Balance at January 1, 2019		\$ 1,884,521	\$ 567,114	\$ 966,388	\$ 48,991	\$ 1,888,215	(\$ 146,589)	(\$ 14,622)	\$ 5,194,018
Net income for 2019		-	-	-	-	825,693	-	-	825,693
Other comprehensive loss for 2019	6(6)(14)	-	-	-	-	(5,856)	(76,803)	(24,518)	(107,177)
Total comprehensive income (loss)		-	-	-	-	819,837	(76,803)	(24,518)	718,516
Distribution for 2018 earnings:									
Legal reserve		-	-	69,312	-	(69,312)	-	-	-
Special reserve		-	-	-	112,220	(112,220)	-	-	-
Cash dividends	6(13)	-	-	-	-	(452,285)	-	-	(452,285)
Balance at December 31, 2019		\$ 1,884,521	\$ 567,114	\$ 1,035,700	\$ 161,211	\$ 2,074,235	(\$ 223,392)	(\$ 39,140)	\$ 5,460,249
<u>2020</u>									
Balance at January 1, 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 (loss)		-	-	-	-	815,864	10,578	44,811	871,253
Distribution for 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

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,021,772	\$ 1,020,949
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss/Reversal of allowance for bad debts	12(2)	(130)	1,435
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		(8,781)	6,832
Depreciation expense	6(8)(19)	56,081	54,522
Amortisation expense	6(19)	6,476	3,331
Share of profit of associates and joint ventures accounted for under the equity method		(223,970)	(315,681)
Dividend income	6(17)	(10,477)	(9,788)
Interest income	6(17)	(6,193)	(13,915)
Interest expense		81	8
Gain on disposal of investments	6(6)(18)	(1,574)	(721)
Loss on disposal of investments accounted for under the equity method		-	9
Loss on disposal of property, plant and equipment	6(18)	221	51
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(535,760)	193,984
Notes receivable		1,542	5,378
Accounts receivable		(233,188)	(33,686)
Accounts receivable due from related parties		(41,180)	17,307
Other receivable due from related parties		2,482	18,076
Inventories		386	(114,663)
Other financial assets-current		(1,896)	(19)
Other current assets - others		9,253	(18,390)
Other non-current assets -others		(116)	(5,654)
Changes in operating liabilities			
Notes payable		113	(90)
Accounts payable		52,097	13,404
Accounts payable - related parties		234,237	(178,348)
Other payables		67,166	67,927
Other payables to related parties		(67,950)	78,885
Other current liabilities		(2,306)	446
Net defined benefit liability, non-current		(7,537)	(8,417)
Cash inflow generated from operations		310,849	783,172
Dividends received		199,894	172,466
Interest received		8,075	13,768
Interest paid		(81)	(8)
Income tax paid		(198,340)	(161,628)
Net cash flows from operating activities		320,397	807,770

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TAIWAN FU HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties (loan to others)	7	\$ 6,035	\$ 4,526
Acquisition of financial assets at amortised cost		(363,139)	(162,780)
Proceeds from disposal of financial assets at amortised cost		392,242	103,072
Acquisition of financial assets at fair value through other comprehensive income		(41,671)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		40,407	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		1,000	-
Acquisition of investments accounted for under the equity method		(123,562)	(29,000)
Proceeds from disposal of investments accounted for under the equity method		-	196
Proceeds from liquidation of investments accounted for under the equity method		2,246	-
Acquisition of property, plant and equipment	6(23)	(50,604)	(37,323)
Increase in prepayments for business facilities		(19,917)	(24,588)
Proceeds from disposal of property, plant and equipment		54	51
Acquisition of intangible assets		(5,210)	(2,572)
Increase in other financial assets - non-current		(376)	(2,798)
Net cash flows used in investing activities		(162,495)	(151,216)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid	6(13)	(489,976)	(452,285)
Net cash flows used in financing activities		(489,976)	(452,285)
Net (decrease) increase in cash and cash equivalents		(332,074)	204,269
Cash and cash equivalents at beginning of year	6(1)	798,952	594,683
Cash and cash equivalents at end of year	6(1)	<u>\$ 466,878</u>	<u>\$ 798,952</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, 2020 AND 2019
(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, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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

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 3, 'Reference to the conceptual framework'	January 1, 2022
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
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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

B. Translation of foreign operations

The operating results and financial position of all the 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. 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.

- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- I. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(15) Intangible assets

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

(16) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for 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' and supervisors' remuneration

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

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

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

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

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

B. Services rendered

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$418,309.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash:		
Cash on hand and petty cash	\$ 283	\$ 285
Checking and demand deposits	<u>45,173</u>	<u>16,130</u>
	45,456	16,415
Cash equivalents:		
Time deposits	<u>421,422</u>	<u>782,537</u>
	<u>\$ 466,878</u>	<u>\$ 798,952</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

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets mandatorily measured at fair value		
Beneficiary certificates	\$ 544,274	\$ -
Valuation adjustment	<u>1,079</u>	<u>-</u>
	<u>\$ 545,353</u>	<u>\$ -</u>
Financial assets held for trading		
Valuation adjustment of non-hedging derivatives	<u>-</u>	<u>45</u>
	<u>\$ 545,353</u>	<u>\$ 45</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 entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative Financial Assets	December 31, 2019	
	Contract amount (notional principal)	Contract period
Forward foreign contracts	USD 500 thousand	2020.01

There was no such transaction as of December 31, 2020.

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

- C. The Company has no financial assets at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial asset at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with original maturity date	\$ 133,677	\$ 162,780

- 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, 2020 and 2019, 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 \$133,677 and \$162,780, respectively.
- C. The Company has no financial assets at amortised cost pledged to others.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 17,952	\$ 19,494
Less: Allowance for bad debts	-	-
	<u>\$ 17,952</u>	<u>\$ 19,494</u>
Accounts receivable	\$ 1,126,874	\$ 893,686
Less: Allowance for bad debts	(1,885)	(2,015)
	<u>\$ 1,124,989</u>	<u>\$ 891,671</u>
Accounts receivable - related parties	<u>\$ 71,684</u>	<u>\$ 30,504</u>

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 17,952	\$ 1,144,607	\$ 19,494	\$ 874,560
Past due				
Up to 30 days	-	51,588	-	48,126
31 to 60 days	-	33	-	938
61 to 90 days	-	95	-	243
91 to 180 days	-	168	-	251
181 to 360 days	-	1,814	-	-
Over 360 days	-	253	-	72
	<u>\$ 17,952</u>	<u>\$ 1,198,558</u>	<u>\$ 19,494</u>	<u>\$ 924,190</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$932,683.
- C. As at December 31, 2020 and 2019, 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 \$1,214,625 and \$941,669, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

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

The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019 was \$5,140,516 and \$4,943,391, respectively, including the amount of \$13,407 and \$7,500, respectively, of cost of sales recognised for writing down the inventory cost to net realisable value in 2020 and 2019.

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

Item	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed (TSE and OTC) stocks	\$ 255,458	\$ 253,386
Unlisted stocks	<u>62,280</u>	<u>63,280</u>
	317,738	316,666
Valuation adjustment	<u>4,864</u>	<u>(39,140)</u>
	<u>\$ 322,602</u>	<u>\$ 277,526</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 \$322,602 and \$277,526 as at December 31, 2020 and 2019, 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,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 44,811	(\$ 24,518)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ 807)	\$ -
Dividend income recognised in profit or loss		
Held at end of year	\$ 8,755	\$ 9,788
Derecognised during the year	958	-
	<u>\$ 9,713</u>	<u>\$ 9,788</u>

- C. As at December 31, 2020 and 2019, 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 \$322,602 and \$277,526, 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, 2020</u>		<u>December 31, 2019</u>	
	<u>Carrying amount</u>	<u>Percentage of ownership</u>	<u>Carrying amount</u>	<u>Percentage of ownership</u>
Subsidiaries:				
FORMFLEX ENTERPRISE CO., LTD.	\$ 956,618	100%	\$ 981,162	100%
MASTER UNITED INVESTMENT GROUP LTD.	763,251	100%	723,676	100%
TECHFORM INDUSTRIAL CO., LTD.	745,178	100%	643,246	100%
FORTRESS INDUSTRIAL CO., LTD.	667,297	100%	622,673	100%
HUNDURE TECHNOLOGY CO., LTD.	186,059	64%	160,903	51%
FU HSING AMERICAS INC.	129,770	100%	130,612	100%
ARCTEK INDUSTRIAL CO., LTD.	126,444	70%	141,216	70%
SUNION TECHNOLOGY CO., LTD.	31,670	100%	27,615	100%
Associates:				
ALLEGION FU HSING LIMITED	-	-	4,643	49%
	3,606,287		3,435,746	
Less: Accumulated impairment	(116,215)		(116,215)	
	<u>\$ 3,490,072</u>		<u>\$ 3,319,531</u>	

A. Subsidiaries

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. Associates

(a) As of December 31, 2020 and 2019, the Company had no significant associates.

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

As of December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$0 and \$4,643, respectively.

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Loss for the year	(\$ 2,270)	(\$ 2,001)
Other comprehensive income, net	-	-
Total comprehensive loss for the year	<u>(\$ 2,270)</u>	<u>(\$ 2,001)</u>

(8) Property, plant and equipment

						Construction in progress and prepayments for equipment	
	Land	Buildings and structures	Machinery	Molds	Others		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
Reclassifications of prepayments for business facilities	-	-	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>

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

A. No borrowing costs was capitalised for the years ended December 31, 2020 and 2019.

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, 2020</u>	<u>December 31, 2019</u>
Salaries and bonus	\$ 270,667	\$ 250,651
Refund liabilities	88,917	42,699
Directors' and supervisors' remuneration	18,316	16,302
Labour and health insurance fees	12,241	11,847
Others	39,338	41,965
	<u>\$ 429,479</u>	<u>\$ 363,464</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, 2020</u>	<u>December 31, 2019</u>
Present value of funded obligations	\$ 384,401	\$ 364,837
Fair value of plan assets	(277,422)	(262,753)
Net defined benefit liability	<u>\$ 106,979</u>	<u>\$ 102,084</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, 2020</u>			
Balance at January 1	\$ 364,837	(\$ 262,753)	\$ 102,084
Current service cost	3,215	-	3,215
Interest expense (income)	<u>2,554</u>	<u>(1,839)</u>	<u>715</u>
	<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	<u>11,711</u>	<u>-</u>	<u>11,711</u>
	<u>22,698</u>	<u>(10,266)</u>	<u>12,432</u>
Pension fund contribution	-	(11,467)	(11,467)
Paid pension	<u>(8,903)</u>	<u>8,903</u>	<u>-</u>
Balance at December 31	<u>\$ 384,401</u>	<u>(\$ 277,422)</u>	<u>\$ 106,979</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 420,956	(\$ 311,741)	\$ 109,215
Current service cost	3,884	-	3,884
Interest expense (income)	<u>4,210</u>	<u>(3,117)</u>	<u>1,093</u>
	<u>429,050</u>	<u>(314,858)</u>	<u>114,192</u>
Remeasurements:			
Return on plan assets	-	(11,040)	(11,040)
Change in financial assumptions	8,464	-	8,464
Experience adjustments	<u>3,862</u>	<u>-</u>	<u>3,862</u>
	<u>12,326</u>	<u>(11,040)</u>	<u>1,286</u>
Pension fund contribution	-	(13,394)	(13,394)
Paid pension	<u>(76,539)</u>	<u>76,539</u>	<u>-</u>
Balance at December 31	<u>\$ 364,837</u>	<u>(\$ 262,753)</u>	<u>\$ 102,084</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, 2020 and 2019 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,	
	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation				
December 31, 2020	(\$ 6,938)	\$ 7,184	\$ 6,195	(\$ 6,025)
December 31, 2019	(\$ 7,078)	\$ 7,334	\$ 6,350	(\$ 6,170)

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, 2021 amount to \$11,919.

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, 2020 and 2019 were \$22,596 and \$20,623, respectively.

(11) Share capital

A. As of December 31, 2020 and 2019, 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, 2020 and 2019 were both \$48,991.

D. On May 28, 2020 and June 21, 2019, the shareholders resolved that distribution of dividends for ordinary shares and total dividends were \$2.6 (in dollars) per share and \$489,976, \$2.4 (in dollars) per share and \$452,285, respectively. On March 9, 2021, the Board of Directors proposed to distribute dividends of NT\$2.6 (in dollars) per share totaling \$489,976.

(14) Other equity items

	2020		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation	
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	(\$ 212,814)	\$ 4,864	(\$ 207,950)

	2019		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation	
At January 1	(\$ 146,589)	(\$ 14,622)	(\$ 161,211)
Revaluation	-	(24,518)	(24,518)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	(45,213)	-	(45,213)
— Exchange differences on translation of shares of investments accounted for under the equity method	(31,590)	-	(31,590)
At December 31	<u>(\$ 223,392)</u>	<u>(\$ 39,140)</u>	<u>(\$ 262,532)</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>2020</u>	Goods	Services	Total
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>
<u>2019</u>	Goods	Services	Total
US	\$ 5,517,767	-	\$ 5,517,767
Asia	390,076	33,849	423,925
Europe	5,759	-	5,759
Other	205,658	-	205,658
	<u>\$ 6,119,260</u>	<u>\$ 33,849</u>	<u>\$ 6,153,109</u>

(16) Interest income

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 6,095	\$ 13,702
Other interest income (Note)	98	213
	<u>\$ 6,193</u>	<u>\$ 13,915</u>

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

(17) Other income

	For the years ended December 31,	
	2020	2019
Dividend income	\$ 10,477	\$ 9,788
Rent income	698	-
Other income	7,019	3,389
	<u>\$ 18,194</u>	<u>\$ 13,177</u>

(18) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net gain (loss) on financial assets at fair value through profit or loss	\$ 8,781	(\$ 6,832)
Gain on disposal of investments	767	721
Loss on disposal of property, plant and equipment	(221)	(51)
Net currency exchange loss	(63,777)	(15,790)
	<u>(\$ 54,450)</u>	<u>(\$ 21,952)</u>

(19) Expenses by nature

	For the years ended December 31,	
	2020	2019
Employee benefit expense	\$ 892,861	\$ 815,854
Depreciation charges on property, plant and equipment	56,081	54,522
Amortisation	6,476	3,331
	<u>\$ 955,418</u>	<u>\$ 873,707</u>

(20) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 751,917	\$ 687,156
Labor and health insurance fees	66,065	59,941
Pension costs	26,526	25,600
Directors' remuneration	19,559	15,373
Other personnel expenses	28,794	27,784
	<u>\$ 892,861</u>	<u>\$ 815,854</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, 2020 and 2019, employees' compensation was accrued at \$212,175 and \$196,965, respectively; while directors' remuneration was accrued at \$18,316 and \$16,302, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2020, 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, 2020 were \$212,175 and \$18,316, 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, 2019 were \$196,965 and \$16,302, respectively, and has no material differences with those amounts recognised in the 2019 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>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the year	\$ 197,774	\$ 164,568
Tax on unappropriated earnings	7,328	3,226
Prior year income tax (over) underestimation	(1,178)	51
Total current tax	<u>203,924</u>	<u>167,845</u>
Deferred tax:		
Origination and reversal of temporary differences	(5,991)	27,411
Income tax expense	<u>\$ 197,933</u>	<u>\$ 195,256</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>2020</u>	<u>2019</u>
Remeasurement of defined benefit obligations	<u>\$ 2,486</u>	<u>\$ 257</u>

B. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 204,354	\$ 204,190
Effect of amount not allowed to be recognised under the regulations	(12,571)	(12,211)
Additional tax on undistributed earnings	7,328	3,226
Prior year income tax (over) underestimation	(1,178)	51
Income tax expense	<u>\$ 197,933</u>	<u>\$ 195,256</u>

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

		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>
		2019			
		January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Net defined benefit liability	\$	21,843	(\$ 1,683)	\$ 257	\$ 20,417
Loss on obsolete and slow-moving and market price decline of inventories		6,932	1,500	-	8,432
Accrued unused compensated absences		4,000	540	-	4,540
Accrued sales returns and discounts		6,103	2,437	-	8,540
Unrealised exchange loss		2,602	3,604	-	6,206
		<u>41,480</u>	<u>6,398</u>	<u>257</u>	<u>48,135</u>
Deferred tax liabilities:					
Revaluation increments	(	41,619)	-	-	(41,619)
Investment income	(	95,215)	(33,827)	-	(129,042)
Unrealised exchange gain	(	27)	18	-	(9)
	(	<u>136,861</u>	<u>(33,809)</u>	<u>-</u>	<u>(170,670)</u>
	(\$	<u>95,381</u>)	<u>(\$ 27,411)</u>	<u>\$ 257</u>	<u>(\$ 122,535)</u>

D. As of the report date, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority. There were no disputes between the Company and the Tax Authority.

(22) Earnings per share

<u>For the year ended December 31, 2020</u>			
		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>
<u>For the year ended December 31, 2019</u>			
		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>\$ 825,693</u>	<u>188,452</u>	<u>\$ 4.38</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 825,693	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	<u>-</u>	<u>4,867</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 825,693</u>	<u>193,319</u>	<u>\$ 4.27</u>

(23) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Increase in property, plant and equipment	\$ 48,134	\$ 38,986
Add: Opening balance of payable on equipment (recorded as 'other payables')	3,068	1,405
Less: Ending balance of payable on equipment (recorded as 'other payables')	(598)	(3,068)
Cash paid for purchases of property, plant and equipment	<u>\$ 50,604</u>	<u>\$ 37,323</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2020	2019
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 16,359</u>	<u>\$ 27,281</u>

(24) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On May 7, 2020, July 1, 2020 and September 28, 2020, the Company acquired an additional 12.51% of shares of its subsidiary - Hundure Technology Co., Ltd. (Hundure Company) for a total cash consideration of \$23,562. There was no material difference between the carrying amount of non-controlling interest in Hundure Company and the consideration paid to non-controlling interest. The Company did not conduct any transaction with non-controlling interest in 2019.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
FORTRESS INDUSTRIAL CO., LTD. (FORTRESS INDUSTRIAL)	Subsidiary
MASTER UNITED INVESTMENT GROUP LTD.(MASTER)	"
FORMFLEX ENTERPRISE CO.,LTD.(FORMFLEX)	"
FU HSING AMERICAS INC.(F.H.A.)	"
ARCTEK INDUSTRIAL CO., LTD. (ARCTEK INDUSTRIAL)	"
HUNDURE TECHNOLOGY CO., LTD. (HUNDURE TECHNOLOGY)	"
TECHFORM INDUSTRIAL CO., LTD.(TECHFORM)	"

Names of related parties	Relationship with the Company
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)	"
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,	
	2020	2019
Sales of goods:		
Subsidiaries		
F.H.A	\$ 124,661	\$ 98,058
Others	2,482	2,922
Sales of services:		
Subsidiaries		
ZIYONG TAICHANG	16,833	18,696
FORMFLEX CHANGSHU	7,412	9,259
Others	6,624	5,894
	<u>\$ 158,012</u>	<u>\$ 134,829</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,	
	2020	2019
Purchases of goods:		
Subsidiaries		
FORMFLEX CHANGSHU	\$ 1,594,598	\$ 1,886,917
ZIYONG TAICANG	148,997	263,543
TECHFORM	348,350	100,264
Others	109,981	62,939
Purchases of services (recorded as 'selling expenses'):		
Subsidiaries		
F.H.A	59,182	64,356
	<u>\$ 2,261,108</u>	<u>\$ 2,378,019</u>

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

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Subsidiaries		
F.H.A	\$ 71,428	\$ 30,237
Others	256	267
	<u>71,684</u>	<u>30,504</u>
Other receivables:		
Subsidiaries		
ZIYONG TAICANG	16,083	18,166
F.H.A	-	6,035
FORMFLEX CHANGSHU	171	525
Others	766	811
	<u>17,020</u>	<u>25,537</u>
	<u>\$ 88,704</u>	<u>\$ 56,041</u>

The abovementioned other receivables mainly include:

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

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiaries		
FORMFLEX CHANGSHU	\$ 404,811	\$ 161,475
TECHFORM	49,504	44,084
Others	<u>10,430</u>	<u>24,949</u>
	<u>464,745</u>	<u>230,508</u>
Other payables:		
Subsidiaries		
FORMFLEX CHANGSHU	19,595	89,673
F.H.A	14,611	13,023
Others	<u>1,094</u>	<u>554</u>
	<u>35,300</u>	<u>103,250</u>
	<u>\$ 500,045</u>	<u>\$ 333,758</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:

	<u>Year ended December 31, 2020</u>			<u>Year ended December 31, 2019</u>		
	<u>Outstanding balance</u>	<u>Annual rate of interest</u>	<u>Interest income</u>	<u>Outstanding balance</u>	<u>Annual rate of interest</u>	<u>Interest income</u>
Subsidiaries						
F.H.A	<u>\$ -</u>	2.50%	<u>\$ 98</u>	<u>\$ 6,035</u>	2.50%	<u>\$ 213</u>

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.

F. Financing for related parties

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

(3) Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 73,426	\$ 67,278
Post-employment benefits	628	594
	<u>\$ 74,054</u>	<u>\$ 67,872</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2020 and 2019, the unused letters of credit for importing raw materials and equipment amounted to \$18,210 and \$21,431, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of earnings for 2020 was resolved by the Board of Directors on March 9, 2021. 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:

	December 31, 2020	December 31, 2019
Debt ratio	<u>34%</u>	<u>33%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</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	\$ 545,353	\$ -
Financial assets held for trading	-	45
	<u>\$ 545,353</u>	<u>\$ 45</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 322,602</u>	<u>\$ 277,526</u>
Financial assets at amortised cost/		
Loans and receivables		
Cash and cash equivalents	\$ 466,878	\$ 798,952
Financial assets at amortised cost - current	133,677	162,780
Notes receivable	17,952	19,494
Accounts receivable (including related parties)	1,196,673	922,175
Other receivables - related parties	17,020	25,537
Other financial assets (current and non-current)	11,378	10,988
	<u>\$ 1,843,578</u>	<u>\$ 1,939,926</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 113	\$ -
Accounts payable (including related parties)	830,153	543,819
Other accounts payable (including related parties)	464,779	466,714
	<u>\$ 1,295,045</u>	<u>\$ 1,010,533</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, 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

December 31, 2019			
Foreign currency			
	amount	Exchange	Book value
	(In Thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 41,331	\$ 29.98	\$ 1,239,103
RMB:NTD	25,850	4.29	110,897
AUD:NTD	654	21.01	13,744
<u>Non-monetary items</u>			
<u>Investments accounted for under the equity method</u>			
USD:NTD	60,864	29.98	1,840,093
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	8,331	29.98	249,763
RMB:NTD	25,005	4.29	107,271
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, 2020 and 2019, amounted to \$63,777 and \$15,790, respectively.			
v. Analysis of foreign currency market risk arising from significant foreign exchange variation:			
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	-

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

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, 2020 and 2019 would have increased/decreased by \$27,268 and \$0, 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 \$16,130 and \$13,876, 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, 2020 and 2019, the Company assesses the default possibility of accounts receivable for its customers: The provision for not past due and up to 30 days past due was 0.01% and 0.1%, respectively; The provision for 31 to 360 days past due was 25% ~ 50%; And the provision for past due over a year was 100%. In addition, so far, the Company's balance of receivables past due over 31 days constitutes 0.2% and 0.16%, respectively, of total receivables.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial 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.
- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2020
At January 1	\$ 2,015
Reversal of impairment	(130)
Write-offs	-
At December 31	<u>\$ 1,885</u>
	2019
At January 1	\$ 580
Provision for impairment	1,435
Write-offs	-
At December 31	<u>\$ 2,015</u>

For provisioned loss in 2020 and 2019, the impairment gains (losses) arising from customer contracts are \$130 and (\$1,435), 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, 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				

	December 31, 2019			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Accounts payable (including related parties)	\$ 543,819	-	-	-
Other payables (including related parties)	466,714	-	-	-
	<u>\$1,010,533</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, other receivables, other financial assets, notes payable, accounts payable and other payables are approximate to their fair values.

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

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity security	\$ 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>
Liabilities: None				

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 45	\$ -	\$ 45
Financial assets at fair value through other comprehensive income				
Equity security	<u>263,026</u>	<u>-</u>	<u>14,500</u>	<u>277,526</u>
	<u>\$ 263,026</u>	<u>\$ 45</u>	<u>\$ 14,500</u>	<u>\$ 277,571</u>
Liabilities: None				

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

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

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

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

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

- E. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- F. The Company's treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 periodically, which is to evaluate and measure the fair value of financial instruments.
- G. The Company's equity securities for fair value measurements being categorised within Level 3 are investments in unlisted companies evaluated by net asset value method.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: 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.

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Taiwan Fu Hsing Industrial Co., Ltd.	FU HSING AMERICAS INC.	Other receivables-related parties	Y	\$ 15,088	\$ -	\$ -	2.50	Note 1(1)	\$ 124,661	-	\$ -	None	\$ -	\$ 124,661	\$ 1,168,305	Note 2
1	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Other receivables-related parties	Y	173,040	83,160	83,160	2.50	Note 1(2)	-	Operating turnover	-	None	-	183,277	274,915	Note 3
2	FORMFLEX ENTERPRISE CO., LTD.	FU HSING AMERICAS INC.	Other receivables-related parties	Y	6,310	-	-	2.50	Note 1(2)	-	Operating turnover	-	None	-	68,779	96,322	Note 3
3	Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Other receivables-related parties	Y	110,000	60,000	-	2.616	Note 1(1)	141,971	-	-	None	-	133,741	133,741	Note 3

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

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

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd.

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

Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss - current	28,966,542	\$ 395,275	Note 2	\$ 395,275	
	Beneficiary certificates - Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss - current	5,354,793	80,054	Note 2	80,054	
	Beneficiary certificates - Capital Money Market Fund	None	Financial assets at fair value through profit or loss - current	3,319,972	54,001	Note 2	54,001	
	Beneficiary certificates - Yuanta/P-shares Taiwan Dividend Plus ETF	None	Financial assets at fair value through profit or loss - current	535,000	16,023	Note 2	16,023	
	Stocks - Fine Blanking & Tool Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,552,867	239,426	9.98	239,426	
	Stocks - Min Aik Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,107,000	33,321	1.44	33,321	
	Stocks - Advanced International Multitech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	315,000	12,852	0.23	12,852	
	Stocks - Excelsior Medical Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	205,000	11,500	0.15	11,500	
	Stocks - King Chou Marine Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	330,000	10,808	0.39	10,808	
	Stocks - Sunsino Development Associate Inc.	None	Financial assets at fair value through other comprehensive income - non-current	833,406	7,000	1.75	7,000	
	Stocks - NCKU Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,300,000	6,500	8.33	6,500	
	Stocks - Launch Technologies Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	50,000	1,195	0.10	1,195	
	Stocks - Saint Pin Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	251,835	-	4.20	-	
	Stocks - Nailermate Enterprise Corp.	None	Financial assets at fair value through other comprehensive income - non-current	45,972	-	7.37	-	
	Stocks - Sing Bee Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	511,928	-	1.54	-	
	Stocks - Tsu Yung Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400,000	-	4.00	-	
	Stocks - MAP TECHNOLOGY HOLDINGS LIMITED	None	Financial assets at fair value through other comprehensive income - non-current	7,853,941	-	5.47	-	
	Stocks - 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	-	4.78	-	
	Stocks - Melten Connected Healthcare Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,111,111	-	1.71	-	
Arctek Industrial Co., Ltd.	Beneficiary certificates - Fuh Hwa You Li Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,104,956	15,002	Note 2	15,002	

Note 1: Same board chairman.

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

Taiwan Fu Hsing Industrial Co., Ltd.

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

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2020		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2020	
					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	-	-	-	\$ -	86,496,570	\$ 1,178,000	57,530,028	\$ 783,204	\$ 783,000	\$ 204	28,966,542	\$ 395,000
	Beneficiary certificates -Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	42,204,853	629,000	36,850,060	549,277	549,000	277	5,354,793	80,000
	Beneficiary certificates - Union Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	61,876,635	822,000	61,876,635	822,188	822,000	188	-	-
	Beneficiary certificates - Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	31,008,338	504,000	27,688,366	450,124	450,000	124	3,319,972	54,000
Fortress Industrial Co., Ltd.	Beneficiary certificates -Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	28,790,206	429,000	28,790,206	429,117	429,000	117	-	-

Taiwan Fu Hsing Industrial Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Fu Hsing Industrial Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Indirectly-owned subsidiary	Purchases	\$ 1,594,598	37	Agreement	Note	Note	(\$ 404,811)	(49)	
	Techform Industrial Co., Ltd.	Subsidiary	Purchases	348,350	8	Agreement	Note	Note	(49,504)	(6)	
	Ziyong Hardware Products (Taicang) Co., Ltd.	Indirectly-owned subsidiary	Purchases	148,997	3	Agreement	Note	Note	(5,519)	(1)	
Fortress Industrial Co., Ltd.	FU HSING AMERICAS INC.	Subsidiary	(Sales)	(124,661)	(2)	Agreement	Note	Note	71,428	6	
	FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Subsidiary	Purchases	125,532	16	Agreement	Note	Note	(20,471)	(11)	
	Arctek Industrial Co., Ltd.	Affiliated company	Purchases	141,971	18	Agreement	Note	Note	(13,125)	(7)	
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated company	(Sales)	(245,689)	(41)	Agreement	Note	Note	71,124	57	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(348,350)	(58)	Agreement	Note	Note	49,504	40	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(148,997)	(10)	Agreement	Note	Note	5,519	1	
Ziyong Hardware Products (Taicang) Co., Ltd.	Techform Industrial Co., Ltd.	Affiliated company	Purchases	245,689	19	Agreement	Note	Note	(71,124)	(19)	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(129,508)	(9)	Agreement	Note	Note	36,966	9	
	Formflex Metal Industrial (Changshu) Co., Ltd.	Affiliated company	Purchases	129,508	9	Agreement	Note	Note	(36,966)	(8)	
Formflex Metal Industrial (Changshu) Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated company	(Sales)	(1,594,598)	(98)	Agreement	Note	Note	404,811	83	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(141,971)	(65)	Agreement	Note	Note	13,125	31	
	Fortress Industrial Co., Ltd.	Affiliated company	(Sales)	(125,532)	(89)	Agreement	Note	Note	20,471	73	
Arctek Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Affiliated company	(Sales)	(125,532)	(89)	Agreement	Note	Note	20,471	73	
	FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Parent company	(Sales)	(125,532)	(89)	Agreement	Note	Note	20,471	73	
	FU HSING AMERICAS INC.	Subsidiary	(Sales)	(124,661)	(2)	Agreement	Note	Note	71,428	6	
FU HSING AMERICAS INC.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	Purchases	124,661	94	Agreement	Note	Note	(71,428)	(100)	

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

Taiwan Fu Hsing Industrial Co., Ltd.
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	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	\$ 404,811	5.63	\$ -	-	\$ 298,345	\$ -

Taiwan Fu Hsing Industrial Co., Ltd.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 6
Transactions amount between the parent company and subsidiaries or between subsidiaries reaching \$10 million is provided below and descriptions are disclosed in Note 2, and the same transaction is disclosed only once. Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	1	Purchases	\$ 148,997	Agreement	1.65%
		"	"	Service revenue	16,833	Agreement	0.19%
		"	"	Other receivables - related parties	16,083	Agreement	0.18%
		Formflex Metal Industrial (Changshu) Co., Ltd.	1	Purchases	1,594,598	Agreement	17.65%
		"	"	Accounts payable - related parties	404,811	Agreement	4.49%
		"	"	Other payables - related parties	19,595	Agreement	0.22%
		FU HSING AMERICAS INC.	1	Sales	124,661	Agreement	1.38%
		"	"	Operating expense	59,182	Agreement	0.66%
		"	"	Accounts receivable - related parties	71,428	Agreement	0.79%
		"	"	Other payables - related parties	14,611	Agreement	0.16%
		Hundure Technology Co., Ltd.	1	Purchases	22,061	Agreement	0.24%
		Techform Industrial Co., Ltd.	1	Purchases	348,350	Agreement	3.86%
		"	"	Accounts payable - related parties	49,504	Agreement	0.55%
		Sunion Technology Co., Ltd.	1	Purchases	87,239	Agreement	0.97%
1	Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	3	Purchases	125,532	Agreement	1.39%
		"	"	Accounts payable - related parties	20,471	Agreement	0.23%
		Arctek Industrial Co., Ltd.	3	Purchases	141,971	Agreement	1.57%
		"	"	Accounts payable - related parties	13,125	Agreement	0.15%
		"	"	Property, plant and equipment	183,934	Agreement	2.04%
2	Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	3	Sales	245,689	Agreement	2.72%
		"	"	Purchases	34,046	Agreement	0.38%
		"	"	Accounts receivable - related parties	71,124	Agreement	0.79%
		"	"	Accounts payable - related parties	16,232	Agreement	0.18%
3	Ziyong Hardware Products (Taicang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	129,508	Agreement	1.43%
		"	"	Purchases	30,588	Agreement	0.34%
		"	"	Accounts receivable - related parties	36,966	Agreement	0.41%
		"	"	Accounts payable - related parties	11,077	Agreement	0.12%
4	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	3	Other receivables - related parties (Loans to)	83,160	Agreement	0.92%
		Changshu Fortune Packing Material Co., Ltd.	3	Purchases	30,522	Agreement	0.34%
5	Rui Sheng Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Sales	22,540	Agreement	0.25%

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

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd.

Information on investees

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	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	\$ 956,618	\$ 137,740	\$ 132,803	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Master United Investment Group Ltd.	British Virgin Islands	Investment holdings	538,240	538,240	1,560,000	100	763,251	28,417	26,794	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Techform Industrial Co., Ltd.	Taiwan	Processing of hardware products	800,000	700,000	80,000,000	100	745,178	1,933	1,933	
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	667,297	42,320	42,494	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Fu Hsing Americas Inc.	U.S.A	Sales of door locks and related accessories	11,263	11,263	300,000	100	129,770	11,269	9,388	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	65,200	65,200	5,838	70	81,212 (	424) (	176)	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Hundure Technology Co., Ltd.	Taiwan	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	151,562	128,000	6,615,390	64	115,076	17,708	8,949	
Taiwan Fu Hsing Industrial Co., Ltd.	Sunion Technology Co., Ltd.	Taiwan	Sales and manufacture of electronic lock parts	29,000	29,000	2,900,000	100	31,670	4,055	4,055	
Taiwan Fu Hsing Industrial Co., Ltd.	Allegion Fu Hsing Ltd.	Hong Kong	Other kind of transaction business	-	-	-	-	- (	4,633) (	2,270)	Notes 1 and 4
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	14,000	14,000	756,000	70	23,388	2,134	-	Note 3
Formflex Enterprise Co., Ltd.	Fortune Industrial Ltd.	SAMOA	Investment holdings	6,698	6,698	204,000	51	11,497	3,812	-	Note 3

Note 1: Unissued stocks.

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

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

Note 4: The investee was dissolved on September 25, 2020.

Taiwan Fu Hsing Industrial Co., Ltd.
Information on investments in Mainland China
Year ended December 31, 2020

Table 8Expressed 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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	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	\$ 135,545	100	\$ 135,545	\$ 916,386	\$ 534,108	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	28,417	100	28,417	741,883	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	(4,393)	100	(4,432)	81,726	-	Note 2
ChangShu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	3,812	51	1,944	11,487	-	Note 2
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	(1,972)	100	(1,972)	(54,410)	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 3,578,059	Note 3
Fortress Industrial Co., Ltd.	90,750	90,750	401,224	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.
Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area
Year ended December 31, 2020

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other receivables		Provision of endorsements/guarantees or collaterals		Financing					Others
	Amount	%	Amount	%	Balance at December 31, 2020		Amount	%	Balance at December 31, 2020		Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020		
						%				Purpose						
Formflex Material Industrial (Changshu) Co., Ltd.	(\$ 1,594,598)	(37)	\$ 7,412	24	(\$ 424,406)	(49)	\$ 171	1	\$ -	-	\$ -	-	\$ -	-	\$ -	
Ziyong Hardware Products (Taicang) Co., Ltd.	(148,997)	(3)	16,833	55	(5,519)	(1)	16,083	82	-	-	-	-	-	-	-	
Ziyong Hardware Products (Taicang) Co., Ltd.	245,689	41	-	-	71,124	57	-	-	-	-	-	-	-	-	-	
Ziyong Hardware Products (Taicang) Co., Ltd.	(34,046)	(8)	-	-	(16,232)	(32)	-	-	-	-	-	-	-	-	-	Purchasing of property, plant and equipment \$ 3,749
Fortress Door Control Product (Changshu) Co., Ltd.	(125,532)	(16)	1,477	16	(20,471)	(11)	25	-	-	-	-	-	-	-	-	

Taiwan Fu Hsing Industrial Co., Ltd.
Major shareholders information
December 31, 2020

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, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash :		
Cash on hand and Petty cash		\$ 283
Bank deposits	Checking accounts	61
	Demand deposits - NTD	19,170
	Demand deposits - USD	25,878
	(USD \$909 thousand, exchange rate 28.48)	
	Demand deposits - RMB	63
	(RMB \$14 thousand, exchange rate 4.37)	
	Demand deposits - AUD	1
	(AUD \$33 thousand, exchange rate 21.95)	45,173
Cash equivalents:		
Time deposits	Time deposits - NTD, continually maturing before March 2021, interest rate 0.34% ~ 0.37%	232,600
	Time deposits - USD (USD \$6,630 thousand, exchange rate 28.48), continually maturing before January 2021, interest rate 0.18% ~ 0.37%	188,822
		421,422
		\$ 466,878

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 2

Name of Financial Instrument	Description	Shares	Face Value	Total Amount	Interest Rate	Cost	Fair Value		Amount of Change in The Fair Value is Attributable to Change in The Credit Risk		Note
							Unit Price	Total Amount			
Beneficiary certificates:											
Taishin 1699 Money Market Fund	Money funds	28,966,542	Not applicable	\$ 395,000	-	\$ 395,000	13.6459	\$ 395,275	Not applicable		
Jih Sun Money Market Fund	Money funds	5,354,793	Not applicable	80,000	-	80,000	14.9500	80,054	Not applicable		
Capital Money Market Fund	Money funds	3,319,972	Not applicable	54,000	-	54,000	16.2654	54,001	Not applicable		
Yuanta/P-shares Taiwan Dividend Plus ETF	Money funds	535,000	Not applicable	15,274	-	<u>15,274</u>	29.9500	16,023	Not applicable		
						544,274					
Valuation adjustment of financial assets at fair value through profit or loss						<u>1,079</u>					
						<u>\$ 545,353</u>					

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST -CURRENT
DECEMBER 31, 2020
 (Expressed in thousands of New Taiwan dollars)

Statement 3

							Accumulated	Note
Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Impairment	
Time deposits - foreign currency	RMB \$29,170 thousand, exchange rate 4.37	6	127,677	127,677	2.00%~2.30%	\$ 127,677	\$ -	
	Maturity date: January 2021~ June 2021							
Time deposits - NTD	Maturity date: June 2021 ~ September 2021	2	6,000	6,000	0.780%	6,000	-	
						<u>\$ 133,677</u>	<u>\$ -</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 4

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
Customer C	Sales revenue	\$ 392,536	
Customer B	Sales revenue	321,212	
Customer E	Sales revenue	91,427	
Customer F	Sales revenue	66,513	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>255,186</u>	
		1,126,874	
Less: Allowance for bad debts		(<u>1,885</u>)	
		<u>\$ 1,124,989</u>	
Related parties:			
FU HSING AMERICAS INC.	Sales revenue	\$ 71,428	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>256</u>	
		<u>\$ 71,684</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Description	Amount		Note
		Cost	Net Realisable Value	
Raw materials		\$ 27,441	\$ 24,871	The lower of cost and net realisable value
Work in progress		244,836	228,024	
Finished goods		<u>201,599</u>	<u>214,234</u>	
		473,876	<u>\$ 467,129</u>	
Less: Allowance for inventory valuation and				
obsolete and slow-moving inventories		(<u>55,567</u>)		
		<u>\$ 418,309</u>		

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OTHER CURRENT ASSETS, OTHERS
DECEMBER 31, 2020
 (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		\$ 23,927	
Office supplies		14,351	
Others		<u>9,322</u>	
		<u>\$ 47,600</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	\$ 209,592	-	\$ 29,834	-	\$ -	7,552,867	\$ 239,426	Not applicable	None	
Min Aik Precision Industrial Co., Ltd.	2,112,000	53,434	3,000	116	(1,008,000)	(20,229)	1,107,000	33,321	"	None	
Advanced International Multitech Co., Ltd.	-	-	511,000	18,503	(196,000)	(5,651)	315,000	12,852	"	None	
Excelsior Medical Co., Ltd.	-	-	205,000	11,500	-	-	205,000	11,500	"	None	
King Chou Marine Technology Co., Ltd.	-	-	330,000	10,808	-	-	330,000	10,808	"	None	
Launch Technology Co., Ltd.	-	-	61,000	1,439	(11,000)	(244)	50,000	1,195	"	None	
Unlisted stocks:											
NCKU Venture Capital Co., Ltd.	1,300,000	6,500	-	-	-	-	1,300,000	6,500	"	None	
Sunsino Development Associate Inc.	833,406	7,000	-	-	-	-	833,406	7,000	"	None	
BenjhonTechnology Co., Ltd.	100,000	1,000	-	-	(1,000,000)	(1,000)	-	-	"	None	
Nailermate Enterprise Corp.	45,972	-	-	-	-	-	45,972	-	"	None	Preferred shares
Saint Pin Technology Co., Ltd.	251,835	-	-	-	-	-	251,835	-	"	None	
Shing Bee Enterprise Co., Ltd.	511,928	-	-	-	-	-	511,928	-	"	None	
Tsu Yung Enterprise Co., Ltd.	400,000	-	-	-	-	-	400,000	-	"	None	
Ofis International Co., Ltd.	720,000	-	-	-	-	-	720,000	-	"	None	
Hwa Nan Co., Ltd.	85,891	-	-	-	-	-	85,891	-	"	None	
Map Technology Holdings Limited	7,853,941	-	-	-	-	-	7,853,941	-	"	None	
Melten Connected Healthcare Inc.	1,111,111	-	-	-	-	-	1,111,111	-	"	None	
		\$ 277,526		\$ 72,200		(\$ 27,124)		\$ 322,602			

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	\$ 981,162	-	\$ -	-	(\$ 24,544)	23,704,000	100%	\$ 956,618	41	\$ 963,213	None	
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	723,676	-	39,575	-	-	1,560,000	100%	763,251	476	741,914	None	
TECHFORM INDUSTRIAL CO., LTD.	70,000,000	643,246	10,000,000	101,932	-	-	80,000,000	100%	745,178	9	745,178	None	
FORTRESS INDUSTRIAL CO., LTD.	33,000,000	622,673	6,930,000	44,624	-	-	39,930,000	100%	667,297	17	668,706	None	
HUNDURE TECHNOLOGY CO., LTD.	5,059,415	160,903	1,555,975	25,156	-	-	6,615,390	64%	186,059	17	115,075	None	
ARCTEK INDUSTRIAL CO., LTD.	5,838	141,216	-	-	-	(14,772)	5,838	70%	126,444	13,925	81,295	None	
FU HSING AMERICAS INC.	300,000	130,612	-	-	-	(842)	300,000	100%	129,770	459	137,558	None	
SUNION TECHNOLOGY CO., LTD.	2,900,000	27,615	-	4,055	-	-	2,900,000	100%	31,670	11	31,670	None	
Associates:													
ALLEGION FU HSING LIMITED (Note)	49%	4,643	-	-	-	(4,643)	-	-	-	-	-	None	
		3,435,746		215,342		(44,801)			3,606,287		\$ 3,484,609		
Accumulated impairment		(116,215)		-		-			(116,215)				
		\$ 3,319,531		\$ 215,342		(\$ 44,801)			\$ 3,490,072				

Note: The investee was approved to establish and register on September 25, 2020.

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(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	\$ 38,893	
Litai Color Printing Enterprises Co., Ltd.	Purchases	28,235	
Sing-Der Co., Ltd.	Purchases and outsource	22,217	
Others (balance of each vendor has not exceeded 5% of total account balance)	Purchases and outsource	<u>276,063</u>	
		<u>\$ 365,408</u>	
Related parties:			
Formflex Metal Industrial (Changshu) Co., Ltd.	Purchases	\$ 404,811	
Techform Industrial Co., Ltd.	Purchases and outsource	49,504	
Others (balance of each vendor has not exceeded 5% of total account balance)		<u>10,430</u>	
		<u>\$ 464,745</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 10

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Metalwork doors	48,941 thousand pieces	\$ 6,594,830	
Less: Sales returns and discounts		(128,773)	
Net sales revenue		6,466,057	
Other service revenue		30,869	
		<u>\$ 6,496,926</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Amount		Note
	Subtotal	Total	
Beginning raw materials		\$ 30,228	
Add: Raw materials purchased	\$ 2,533,105		
Less: Raw materials reclassified as expenses, etc.	(189)	2,532,916	
Ending raw materials		(27,441)	
Raw materials used		2,535,703	
Direct labour		444,441	
Manufacturing expense		<u>758,766</u>	
Manufacturing cost		3,738,910	
Beginning work in progress		237,400	
Less: Work in progress reclassified as expenses		(2,608)	
Ending work in progress		(244,836)	
Cost of finished goods		3,728,866	
Beginning finished goods		193,227	
Less: Finished goods reclassified as expenses		(6,781)	
Ending finished goods		(201,599)	
Cost of goods sold from finished goods		3,713,713	
Cost of goods sold from purchase		1,485,850	
Cost of goods sold from molds		7,084	
Add: Allowance for inventory valuation and obsolete and slow-moving inventories		13,407	
Less: Revenue from sale of scraps		(79,493)	
		<u>\$ 5,140,561</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 12

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 357,864	
Indirect labor		113,795	
Repairs and maintenance expense		62,401	
Depreciation		45,743	
Utilities expense		36,098	
Other expenses	Balance of individual accounts has not	142,865	
	exceeded 5% of total account balance		
		<u>\$ 758,766</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Commissions expense		\$ 61,056	
Wages and salaries		52,187	
Export expense		28,187	
Freight		10,299	
Advertisement expense		9,612	
Others expenses	Balance of individual accounts has not exceeded 5% of total account balance	21,908	
		<u>\$ 183,249</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 125,039	
Directors' remuneration		19,559	
Repairs and maintenance expense		18,565	
Other expenses	Balance of individual accounts has not	79,373	
	exceeded 5% of total account balance		
		<u>\$ 242,536</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 65,742	
Research and development expenses		12,115	
Labour and health insurance fees		6,145	
Other expenses	Balance of individual accounts has not exceeded 5% of total account balance	18,762	
		<u>\$ 102,764</u>	

TAIWAN FU HSING INDUSTRIAL CO., LTD.
STATEMENT OF FINANCE COOST
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 16

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		\$ <u>81</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, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 17

Function Nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ 590,839	\$ 302,022	\$ 892,861	\$ 523,614	\$ 292,240	\$ 815,854
Wages and salaries	508,949	242,968	751,917	448,765	238,391	687,156
Labour and health insurance fees	46,097	19,968	66,065	40,926	19,015	59,941
Pension costs	18,930	7,596	26,526	18,011	7,589	25,600
Directors' remuneration	-	19,559	19,559	-	15,373	15,373
Other personnel expenses	16,863	11,931	28,794	15,912	11,872	27,784
Depreciation expense	45,743	10,338	56,081	45,649	8,873	54,522
Amortisation expense	2,466	4,010	6,476	379	2,952	3,331

Note:

A. As at December 31, 2020 and 2019, the Company had 1,297 and 1,181 employees, respectively, including 7 and 3 non-employee directors, respectively.

B. (a) Average employee benefit expense for the years ended December 31, 2020 and 2019 was \$677 and \$680, respectively.

(b) Average employee salaries for the years ended December 31, 2020 and 2019 were \$583 and \$583, respectively.

(c) The Company has no adjustments of employee salaries.

(d) Supervisors' remuneration for the years ended December 31, 2020 and 2019 was \$60 and \$4,455, respectively.

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

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

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

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

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

**TAIWAN FU HSING INDUSTRIAL CO. LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

TAIWAN FU HSING INDUSTRIAL CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Taiwan Fu Hsing Industrial Co., Ltd.

Representative: LIN, DUAN-ZHANG

March 9, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000378

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

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Fu Hsing Industrial Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Cut-off of export sales revenue recognition

Description

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

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

How our audit addressed the matter

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

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

Allowance for inventory valuation losses

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors. Total assets of these subsidiaries amounted to NT\$507,719 thousand and NT\$635,690 thousand, constituting 6% and 8% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and the operating revenue amounted to NT\$265,267 thousand and NT\$281,875 thousand, constituting 3% and 3% of the consolidated total operating revenue for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Taiwan Fu Hsing Industrial Co., Ltd. as at and for the years ended December 31, 2020 and 2019.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

Wang, Kuo-Hua

Wu, Chien-Chin

For and on behalf of PricewaterhouseCoopers. Taiwan
March 9, 2021

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

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,732,255	19	\$	2,248,951	27
1110	Financial assets at fair value through profit or loss - current	6(2)		560,355	6		45	
1136	Current financial assets at amortised cost, net	6(3)		133,677	2		167,781	2
1150	Notes receivable, net	6(4)		37,290	-		29,159	-
1170	Accounts receivable, net	6(4)		1,790,353	20		1,476,241	18
130X	Inventories	6(5)		1,231,723	14		940,489	11
1476	Other current financial assets			12,711	-		7,187	-
1479	Other current assets, others	6(6)		151,368	2		117,316	2
11XX	Current Assets			5,649,732	63		4,987,169	60
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(7)		322,602	4		277,526	3
1550	Investments accounted for under equity method	6(8)		-	-		4,643	-
1600	Property, plant and equipment	6(9) and 8		2,809,471	31		2,800,440	34
1755	Right-of-use assets	6(10)		34,003	-		35,426	1
1780	Intangible assets	6(11)		29,524	-		29,349	-
1840	Deferred income tax assets	6(25)		87,712	1		79,932	1
1980	Other non-current financial assets	8		17,994	-		31,624	-
1990	Other non-current assets, others	6(12)		68,481	1		117,107	1
15XX	Non-current assets			3,369,787	37		3,376,047	40
1XXX	Total assets		\$	9,019,519	100	\$	8,363,216	100

(Continued)

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ -	-	\$ 15,000	-
2150	Notes payable		8,203	-	38,788	-
2170	Accounts payable		1,397,779	16	1,001,835	12
2200	Other payables	6(14)	667,804	7	605,010	7
2230	Current income tax liabilities		131,938	1	132,942	2
2280	Current lease liabilities		-	-	1,036	-
2399	Other current liabilities, others	6(15) and 8	56,684	1	79,129	1
21XX	Current Liabilities		2,262,408	25	1,873,740	22
Non-current liabilities						
2540	Long-term borrowings	6(15) and 8	468,483	5	547,620	7
2570	Deferred income tax liabilities	6(25)	171,600	2	172,422	2
2640	Accrued pension liabilities	6(16)	153,595	2	154,190	2
2645	Guarantee deposits received		-	-	8,130	-
25XX	Non-current liabilities		793,678	9	882,362	11
2XXX	Total Liabilities		3,056,086	34	2,756,102	33
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(17)	1,884,521	21	1,884,521	22
Capital surplus						
3200	Capital surplus	6(18)	567,114	6	567,114	7
Retained earnings						
3310	Legal reserve	6(19)	1,117,684	12	1,035,700	12
3320	Special reserve		262,532	3	161,211	2
3350	Unappropriated retained earnings		2,217,625	25	2,074,235	25
Other equity interest						
3400	Other equity interest	6(20)	(207,950)	(2)	(262,532)	(3)
31XX	Equity attributable to owners of the parent		5,841,526	65	5,460,249	65
36XX	Non-controlling interest		121,907	1	146,865	2
3XXX	Total equity		5,963,433	66	5,607,114	67
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 9,019,519	100	\$ 8,363,216	100

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	For the year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21)	\$ 9,033,976	100	\$ 8,681,906	100
5000	Operating costs	6(5)(16)(23)(24)	(6,869,217)	(76)	(6,624,866)	(76)
5900	Net operating margin		<u>2,164,759</u>	<u>24</u>	<u>2,057,040</u>	<u>24</u>
	Operating expenses	6(16)(23)(24) and 7				
6100	Selling expenses		(312,371)	(4)	(315,266)	(4)
6200	General and administrative expenses		(426,914)	(5)	(403,294)	(5)
6300	Research and development expenses		(205,283)	(2)	(196,710)	(2)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(882)	-	(1,888)	-
6000	Total operating expenses		(945,450)	(11)	(917,158)	(11)
6900	Operating profit		<u>1,219,309</u>	<u>13</u>	<u>1,139,882</u>	<u>13</u>
	Non-operating income and expenses					
7100	Interest income		18,268	-	28,335	-
7010	Other income		49,209	1	27,810	-
7020	Other gains and losses	6(22)	(172,166)	(2)	(31,990)	-
7050	Finance costs		(7,212)	-	(7,813)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(8)	(2,270)	-	(2,001)	-
7000	Total non-operating income and expenses		(114,171)	(1)	14,341	-
7900	Profit before income tax		<u>1,105,138</u>	<u>12</u>	<u>1,154,223</u>	<u>13</u>
7950	Income tax expense	6(25)	(272,488)	(3)	(311,032)	(4)
8200	Profit for the year		<u>\$ 832,650</u>	<u>9</u>	<u>\$ 843,191</u>	<u>9</u>

(Continued)

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

				For the year ended December 31			
				2020		2019	
Items		Notes	AMOUNT	%	AMOUNT	%	
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(16)	(\$ 6,156)	-	(\$ 8,134)	-	
8316	Unrealised gain or loss on financial assets at for value through other comprehensive income	6(7)(20)	44,811	1	(24,518)	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	1,231	-	1,627	-	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		39,886	1	(31,025)	-	
Components of other comprehensive income that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations	6(20)	10,771	-	(77,182)	(1)	
8360	Components of other comprehensive income that will be reclassified to profit or loss		10,771	-	(77,182)	(1)	
8300	Total other comprehensive income (loss) for the year		<u>\$ 50,657</u>	<u>1</u>	<u>(\$ 108,207)</u>	<u>(1)</u>	
8500	Total comprehensive income for the year		<u>\$ 883,307</u>	<u>10</u>	<u>\$ 734,984</u>	<u>8</u>	
Profit, attributable to:							
8610	Owners of the parent		\$ 823,839	9	\$ 825,693	9	
8620	Non-controlling interest		8,811	-	17,498	-	
			<u>\$ 832,650</u>	<u>9</u>	<u>\$ 843,191</u>	<u>9</u>	
Comprehensive income attributable to:							
8710	Owners of the parent		\$ 871,253	10	\$ 718,516	8	
8720	Non-controlling interest		12,054	-	16,468	-	
			<u>\$ 883,307</u>	<u>10</u>	<u>\$ 734,984</u>	<u>8</u>	
Earnings per share							
9750	Total basic earnings per share	6(26)	<u>\$ 4.37</u>		<u>\$ 4.38</u>		
9850	Total diluted earnings per share		<u>\$ 4.26</u>		<u>\$ 4.27</u>		

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent											
<div>Retained Earnings<div>Other equity interest</div></div>											
		Share capital - common stock	Capital surplus, additional paid-in capital		Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains or loss on financial assets at fair value through other comprehensive income	Total	Non-controlling interest	Total equity	
	Notes			Legal reserve	Special reserve						
2019											
Balance at January 2019		\$ 1,884,521	\$ 567,114	\$ 966,388	\$ 48,991	\$ 1,888,215	(\$ 146,589)	(\$ 14,622)	\$ 5,194,018	\$ 131,045	\$ 5,325,063
Net income for 2019		-	-	-	-	825,693	-	-	825,693	17,498	843,191
Other comprehensive loss for 2019	6(7)(20)	-	-	-	-	(5,856)	(76,803)	(24,518)	(107,177)	(1,030)	(108,207)
Total comprehensive income (loss)		-	-	-	-	819,837	(76,803)	(24,518)	718,516	16,468	734,984
Distribution of 2018 earnings:											
Legal reserve		-	-	69,312	-	(69,312)	-	-	-	-	-
Special reserve		-	-	-	112,220	(112,220)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(452,285)	-	-	(452,285)	-	(452,285)
Cash dividends distributed to non-controlling interest		-	-	-	-	-	-	-	-	(648)	(648)
Balance at December 31, 2019		\$ 1,884,521	\$ 567,114	\$ 1,035,700	\$ 161,211	\$ 2,074,235	(\$ 223,392)	(\$ 39,140)	\$ 5,460,249	\$ 146,865	\$ 5,607,114
2020											
Balance at January 2020		\$ 1,884,521	\$ 567,114	\$ 1,035,700	\$ 161,211	\$ 2,074,235	(\$ 223,392)	(\$ 39,140)	\$ 5,460,249	\$ 146,865	\$ 5,607,114
Net income for 2020		-	-	-	-	823,839	-	-	823,839	8,811	832,650
Other comprehensive (loss) income for 2020	6(7)(20)	-	-	-	-	(7,975)	10,578	44,811	47,414	3,243	50,657
Total comprehensive income		-	-	-	-	815,864	10,578	44,811	871,253	12,054	883,307
Distribution of 2019 earnings:											
Legal reserve		-	-	81,984	-	(81,984)	-	-	-	-	-
Special reserve		-	-	-	101,321	(101,321)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(489,976)	-	-	(489,976)	-	(489,976)
Cash dividends distributed to non-controlling interest		-	-	-	-	-	-	-	-	(13,450)	(13,450)
Changes in ownership interests in subsidiaries	6(29)	-	-	-	-	-	-	-	-	(23,562)	(23,562)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(7)(20)	-	-	-	-	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	\$ 121,907	\$ 5,963,433

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,105,138	\$ 1,154,223
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	882	1,888
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(22)	(8,783)	24,408
Depreciation expense	6(9)(10)(23)	190,487	164,228
Amortization expense	6(23)	42,157	29,501
Share of profit or loss of associates and joint ventures accounted for using equity method	6(8)	2,270	2,001
Dividend income		(10,477)	(9,788)
Interest income		(18,268)	(28,334)
Interest expense		7,212	7,813
Gain on disposal of investments	6(7)(22)	(1,691)	(909)
Loss on disposal of property, plant and equipment	6(22)	1,964	1,282
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(550,644)	176,596
Notes receivable		(8,131)	7,275
Accounts receivable		(311,084)	(20,480)
Inventories		(282,946)	17,632
Other financial assets - current		(5,348)	7,918
Other current assets - others		(37,699)	991
Changes in operating liabilities			
Notes payable		(30,585)	(74,182)
Accounts payable		380,779	(13,414)
Other payables		66,174	67,956
Other current liabilities - others		(45,855)	(4,566)
Net defined benefit liability, non-current		6,137	5,766
Cash inflow generated from operations		491,689	1,517,805
Dividends received		10,477	9,788
Interest received		20,133	28,178
Interest paid		(7,212)	(8,046)
Income tax paid		(285,735)	(282,247)
Net cash flows from operating activities		229,352	1,265,478

(Continued)

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(\$ 363,139)	(\$ 167,781)
Proceeds from disposal of financial assets at amortised cost		397,243	114,991
Acquisition of financial assets at fair value through other comprehensive income		(41,671)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		40,407	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		1,000	-
Acquisition of property, plant and equipment	6(27)	(149,884)	(260,581)
Increase in prepaid equipment		(23,666)	(68,702)
Proceeds from disposal of property, plant and equipment		4,234	1,531
Acquisition of intangible assets	6(11)	(5,533)	(3,679)
Decrease (increase) in other financial assets - non-current		13,703	(7,475)
Increase in other non-current assets -others		(26,977)	(70,629)
Net cash flows used in investing activities		(154,283)	(462,325)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(28)	125,000	104,000
Decrease in short-term loans	6(28)	(140,000)	(89,000)
Payments of lease liabilities	6(28)	(1,036)	(2,758)
Proceeds from long-term borrowings	6(28)	-	260,000
Repayments of long-term debt	6(28)	(94,904)	(51,639)
(Decrease) increase in guarantee deposits received		(8,130)	8,130
Cash dividends paid	6(19)	(489,976)	(452,285)
Acquisition of ownership interests in subsidiaries	6(29)	(23,562)	-
Cash dividends distributed to non-controlling interest		(13,450)	(648)
Net cash flows used in financing activities		(646,058)	(224,200)
Effect of exchange rate changes on cash and cash equivalents		54,293	(31,957)
Net (decrease) increase in cash and cash equivalents		(516,696)	546,996
Cash and cash equivalents at beginning of year	6(1)	2,248,951	1,701,955
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,732,255</u>	<u>\$ 2,248,951</u>

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

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

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

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)
Note : Earlier application from January 1, 2020 is allowed by FSC.	

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
The Company	Fortress Industrial Co., Ltd.	Sales and manufacture of door locks, transom closers and floor springs	100	100	
	Master United Investment Group Ltd.	Investment holdings	100	100	
	Formflex Enterprise Co., Ltd.	Investment holdings	100	100	
	Fu Hsing Americas Inc.	Sales of door locks and related accessories	100	100	
	Arctek Industrial Co., Ltd.	Sales and manufacture of transom closers and floor springs	70	70	
	Hundure Technology Co., Ltd.	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	64	51	Note 1
	Techform Industrial Co., Ltd.	Processing of hardware products	100	100	
	Sunion Technology Co., Ltd.	Sales and manufacture of electronic lock parts	100	100	Note 2
Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	Manufacturing of products related to door closers	100	100	
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Sales and manufacture of transom closers and floor springs	70	70	
Master United Investment Group Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Sales and manufacture of door locks and related accessories	100	100	
Ziyong Hardware Products (Taicang) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	100	100	
Formflex Enterprise Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	Sales and manufacture of high quality hardware parts	100	100	
	Fortune Industrial Ltd.	Investment holdings	51	51	
Fortune Industrial Ltd.	Changshu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic products	100	100	

Note 1: The Company gradually acquired an additional 12.51% of shares of the subsidiary during the period from May 2020 to September 2020. Refer to Note 6(29) for details.

Note 2: The investee was a wholly-owned domestic subsidiary that was approved to be established in August 2019 through reinvestment.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.

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

(10) Accounts receivable and notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

(13) Inventories

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

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

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

(15) Property, plant and equipment

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

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

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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

(17) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Specialised skills are initially recorded at cost and are amortised on a straight-line basis over its estimated useful life.

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Non-hedge derivatives

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

(24) Provisions

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

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

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

(26) Income tax

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

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

(27) Dividends

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.

(28) Revenue recognition

Sales of goods

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

(29) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$1,231,723.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash:		
Cash on hand and revolving funds	\$ 1,215	\$ 1,092
Checking and demand deposits	<u>1,106,942</u>	<u>926,337</u>
	1,108,157	927,429
Cash equivalents:		
Time deposits	<u>624,098</u>	<u>1,321,522</u>
	<u>\$ 1,732,255</u>	<u>\$ 2,248,951</u>

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

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

Item	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value		
Beneficiary certificates	\$ 559,274	\$ -
Valuation adjustment	1,081	-
	<u>\$ 560,355</u>	<u>\$ -</u>
Financial assets held for trading		
Valuation adjustment of non-hedging derivatives	-	45
	<u>\$ 560,355</u>	<u>\$ 45</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(22).

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

	December 31, 2019	
	Contract amount	
	(notional principal)	Contract period
<u>Derivative Instruments</u>		
Financial assets:		
Forward foreign contracts	USD 500 thousand	2020.01

There was no such transaction as of December 31, 2020.

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

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

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

(3) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with original maturity date	\$ 133,677	\$ 167,781

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

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$133,677 and \$167,781, respectively.

C. The Group no financial assets at amortised cost pledged to others.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 37,305	\$ 29,187
Less: Allowance for bad debts	(15)	(28)
	<u>\$ 37,290</u>	<u>\$ 29,159</u>
Accounts receivable	\$ 1,793,435	\$ 1,479,170
Less: Allowance for bad debts	(3,082)	(2,929)
	<u>\$ 1,790,353</u>	<u>\$ 1,476,241</u>

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

	December 31, 2020		December 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 37,305	\$ 1,722,474	\$ 29,187	\$ 1,416,045
Up to 30 days	-	64,646	-	59,817
31 to 60 days	-	675	-	1,410
61 to 90 days	-	3,433	-	245
91 to 180 days	-	197	-	967
181 to 360 days	-	1,814	-	614
Over 360 days	-	196	-	72
	<u>\$ 37,305</u>	<u>\$ 1,793,435</u>	<u>\$ 29,187</u>	<u>\$ 1,479,170</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,507,652.

C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$1,827,643 and \$1,505,400, respectively.

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

(5) Inventories

	December 31, 2020		
	Cost	Allowance	Book value
Raw materials	\$ 214,660	(\$ 7,026)	\$ 207,634
Work in process	546,376	(56,595)	489,781
Finished goods	557,094	(22,786)	534,308
	<u>\$ 1,318,130</u>	<u>(\$ 86,407)</u>	<u>\$ 1,231,723</u>
	December 31, 2019		
	Cost	Allowance	Book value
Raw materials	\$ 170,944	(\$ 4,989)	\$ 165,955
Work in process	461,504	(43,973)	417,531
Finished goods	384,787	(27,784)	357,003
	<u>\$ 1,017,235</u>	<u>(\$ 76,746)</u>	<u>\$ 940,489</u>

The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019 was \$6,869,217 and \$6,624,866, respectively, including the amounts of \$9,661 and \$14,093 of cost of sales recognised for writing down the inventory cost to net realisable value in 2020 and 2019, respectively.

(6) Other assets-current

	December 31, 2020	December 31, 2019
Prepayments	\$ 83,520	\$ 67,692
Business tax refund receivable	49,545	35,000
Other current assets	18,303	14,624
	<u>\$ 151,368</u>	<u>\$ 117,316</u>

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

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Listed (TSE and OTC) stocks	\$ 255,458	\$ 253,386
Unlisted stocks	62,280	63,280
	317,738	316,666
Valuation adjustment	4,864	(39,140)
	<u>\$ 322,602</u>	<u>\$ 277,526</u>

A. The Group has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$322,602 and \$277,526 as at December 31, 2020 and 2019, respectively.

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

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 44,811	(\$ 24,518)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	(\$ 807)	\$ -
Dividend income recognised in profit or loss		
Held at end of year	\$ 8,755	\$ 9,788
Derecognised during the year	958	-
	<u>\$ 9,713</u>	<u>\$ 9,788</u>

C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was and \$322,602 and \$277,526, respectively.

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

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

(8) Investments accounted for under the equity method

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Carrying</u>	<u>Percentage</u>	<u>Carrying</u>	<u>Percentage</u>
	<u>amount</u>	<u>of ownership</u>	<u>amount</u>	<u>of ownership</u>
Associates :				
ALLEGION FU HSING LIMITED	<u>\$ -</u>	-	<u>\$ 4,643</u>	49%

A. As of December 31, 2020 and 2019, the Group had no significant associates.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$0 and \$4,643, respectively.

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Loss for the year	(\$ 2,270)	(\$ 2,001)
Other comprehensive income, net	-	-
Total comprehensive loss for the year	<u>(\$ 2,270)</u>	<u>(\$ 2,001)</u>

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(9) Property, plant and equipment

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>At January 1, 2020</u>							
Cost	\$ 1,063,524	\$ 1,314,233	\$ 1,114,411	\$ 109,755	\$ 273,722	\$ 79,374	\$ 3,955,019
Accumulated depreciation and impairment	-	(421,498)	(488,909)	(73,265)	(170,907)	-	(1,154,579)
	<u>\$ 1,063,524</u>	<u>\$ 892,735</u>	<u>\$ 625,502</u>	<u>\$ 36,490</u>	<u>\$ 102,815</u>	<u>\$ 79,374</u>	<u>\$ 2,800,440</u>
<u>2020</u>							
Opening net book amount as at January 1	\$ 1,063,524	\$ 892,735	\$ 625,502	\$ 36,490	\$ 102,815	\$ 79,374	\$ 2,800,440
Additions	7,287	8,811	41,951	19,264	33,972	31,195	142,480
Disposals - cost	-	(3,806)	(24,822)	(35,879)	(22,602)	-	(87,109)
Transfers from prepayments for business facilities	-	39,618	93,205	7,048	1,423	(82,602)	58,692
Depreciation charge	-	(40,029)	(95,354)	(23,058)	(30,166)	-	(188,607)
Disposals - accumulated depreciation	-	3,230	19,930	35,879	21,872	-	80,911
Net exchange differences	(750)	(751)	3,458	39	472	196	2,664
Closing net book amount as at December 31, 2020	<u>\$ 1,070,061</u>	<u>\$ 899,808</u>	<u>\$ 663,870</u>	<u>\$ 39,783</u>	<u>\$ 107,786</u>	<u>\$ 28,163</u>	<u>\$ 2,809,471</u>
<u>At December 31, 2020</u>							
Cost	\$ 1,070,061	\$ 1,360,944	\$ 1,234,508	\$ 100,560	\$ 287,666	\$ 28,163	\$ 4,081,902
Accumulated depreciation and impairment	-	(461,136)	(570,638)	(60,777)	(179,880)	-	(1,272,431)
	<u>\$ 1,070,061</u>	<u>\$ 899,808</u>	<u>\$ 663,870</u>	<u>\$ 39,783</u>	<u>\$ 107,786</u>	<u>\$ 28,163</u>	<u>\$ 2,809,471</u>

	Land	Buildings and structures	Machinery	Molds	Others	Construction in progress and prepayments for equipment	Total
<u>At January 1, 2019</u>							
Cost	\$ 1,057,341	\$ 842,674	\$ 810,976	\$ 103,808	\$ 252,863	\$ 681,192	\$ 3,748,854
Accumulated depreciation and impairment	-	(394,480)	(460,582)	(63,485)	(159,704)	-	(1,078,251)
	<u>\$ 1,057,341</u>	<u>\$ 448,194</u>	<u>\$ 350,394</u>	<u>\$ 40,323</u>	<u>\$ 93,159</u>	<u>\$ 681,192</u>	<u>\$ 2,670,603</u>
<u>2019</u>							
Opening net book amount as at January 1	\$ 1,057,341	\$ 448,194	\$ 350,394	\$ 40,323	\$ 93,159	\$ 681,192	\$ 2,670,603
Additions	6,553	35,594	130,582	15,248	33,668	23,906	245,551
Disposals - cost	-	(786)	(30,011)	(14,534)	(14,731)	-	(60,062)
Reclassifications	-	452,891	225,767	6,133	7,843	(625,295)	67,339
Depreciation charge	-	(35,397)	(70,492)	(25,014)	(29,487)	-	(160,390)
Disposals - accumulated depreciation	-	771	28,195	14,448	13,835	-	57,249
Net exchange differences	(370)	(8,532)	(8,933)	(114)	(1,472)	(429)	(19,850)
Closing net book amount as at December 31, 2019	<u>\$ 1,063,524</u>	<u>\$ 892,735</u>	<u>\$ 625,502</u>	<u>\$ 36,490</u>	<u>\$ 102,815</u>	<u>\$ 79,374</u>	<u>\$ 2,800,440</u>
<u>At December 31, 2019</u>							
Cost	\$ 1,063,524	\$ 1,314,233	\$ 1,114,411	\$ 109,755	\$ 273,722	\$ 79,374	\$ 3,955,019
Accumulated depreciation and impairment	-	(421,498)	(488,909)	(73,265)	(170,907)	-	(1,154,579)
	<u>\$ 1,063,524</u>	<u>\$ 892,735</u>	<u>\$ 625,502</u>	<u>\$ 36,490</u>	<u>\$ 102,815</u>	<u>\$ 79,374</u>	<u>\$ 2,800,440</u>

A. No borrowing costs was capitalized for the years ended December 31, 2020 and 2019.

B. The significant components of buildings include main plants and renovations, which are depreciated over 55 and 25 years, respectively.

C. Information on property, plant and equipment pledged to others as collaterals, please refer to Note 8.

D. As of December 31, 2020 and 2019, the Group's accumulated impairment balance was both \$1,349. For the years ended December 31, 2020 and 2019, no impairment loss was recognised.

(10) Lease transactions — lessee

- A. Except for the certain 50-year land use rights that the Group's subsidiary obtained from local government in China, the Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as sublease and relend purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 34,003	\$ 34,390
Buildings	-	1,036
	<u>\$ 34,003</u>	<u>\$ 35,426</u>
<u>For the years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 933	\$ 974
Buildings	947	2,864
	<u>\$ 1,880</u>	<u>\$ 3,838</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$0 and \$254, respectively.
- D. Information on profit or loss in relation to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
<u>Items affecting profit or loss</u>	<u>2020</u>	<u>2019</u>
Interest expense on lease liabilities	<u>\$ 12</u>	<u>\$ 119</u>

- E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases was \$1,048 and \$2,877, respectively.

(11) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Patent</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 126,539	\$ 13,259	\$ 1,615	\$ 141,413
Accumulated amortization and impairment	(102,869)	(8,895)	(300)	(112,064)
	<u>\$ 23,670</u>	<u>\$ 4,364</u>	<u>\$ 1,315</u>	<u>\$ 29,349</u>
<u>2020</u>				
At January 1	\$ 23,670	\$ 4,364	\$ 1,315	\$ 29,349
Additions	-	5,421	112	5,533
Amortization charge	-	(5,048)	(323)	(5,371)
Net exchange differences	-	13	-	13
December 31	<u>\$ 23,670</u>	<u>\$ 4,750</u>	<u>\$ 1,104</u>	<u>\$ 29,524</u>
<u>December 31, 2020</u>				
Cost	\$ 126,539	\$ 18,608	\$ 1,727	\$ 146,874
Accumulated amortization and impairment	(102,869)	(13,858)	(623)	(117,350)
	<u>\$ 23,670</u>	<u>\$ 4,750</u>	<u>\$ 1,104</u>	<u>\$ 29,524</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Patent</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 126,539	\$ 10,074	\$ 1,285	\$ 137,898
Accumulated amortization and impairment	(102,869)	(4,957)	(21)	(107,847)
	<u>\$ 23,670</u>	<u>\$ 5,117</u>	<u>\$ 1,264</u>	<u>\$ 30,051</u>
<u>2019</u>				
At January 1	\$ 23,670	\$ 5,117	\$ 1,264	\$ 30,051
Additions	-	3,349	330	3,679
Amortization charge	-	(4,059)	(279)	(4,338)
Net exchange differences	-	(43)	-	(43)
December 31	<u>\$ 23,670</u>	<u>\$ 4,364</u>	<u>\$ 1,315</u>	<u>\$ 29,349</u>
<u>December 31, 2019</u>				
Cost	\$ 126,539	\$ 13,259	\$ 1,615	\$ 141,413
Accumulated amortization and impairment	(102,869)	(8,895)	(300)	(112,064)
	<u>\$ 23,670</u>	<u>\$ 4,364</u>	<u>\$ 1,315</u>	<u>\$ 29,349</u>

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

	For the years ended December 31,	
	2020	2019
Operating costs	\$ 585	\$ 574
Selling expenses	44	69
Administrative expenses	3,101	2,349
Research and development expenses	1,641	1,346
	<u>\$ 5,371</u>	<u>\$ 4,338</u>

B. No borrowing costs was capitalized for the years ended December 31, 2020 and 2019.

C. Goodwill

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

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

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

E. As of December 31, 2020 and 2019, the Groups balance of accumulated impairment was both \$102,869.

(12) Other non-current assets-other

	December 31, 2020	December 31, 2019
Prepayment for business facilities	\$ 38,390	\$ 72,913
Other non-current assets	30,091	44,194
	<u>\$ 68,481</u>	<u>\$ 117,107</u>

(13) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 15,000</u>	1.60%	None

There were no such transactions as of December 31, 2020.

Interest expense recognised in profit or loss amounted to \$241 and \$17 for the years ended December 31, 2020 and 2019, respectively.

(14) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonus	\$ 396,514	\$ 376,821
Refund liabilities	121,628	43,866
Directors' and supervisors' remuneration	19,156	17,632
Payable on construction and equipment	6,652	14,056
Business tax payable	6,317	19,862
Employee benefits	11,617	12,560
Others	105,920	120,213
	<u>\$ 667,804</u>	<u>\$ 605,010</u>

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

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings			
Secured borrowings	From June 2018 to June 2033, the principal payments are repaid monthly from two years later and the interests are paid monthly. (Note 1)	Land, buildings and structures	\$ 69,175
Secured borrowings	From December 2018 to October 2038, the principal payments and the interests are both paid monthly.	Land, buildings and structures	287,082
Unsecured borrowings	From October 2018 to October 2038, the principal payments and the interests are both paid monthly.	None	
			<u>135,684</u>
			491,941
	Less : Long-term borrowings, current portion (recorded as 'other current liabilities'-others)		(23,458)
			<u>\$ 468,483</u>
	Interest rate range		<u>0.98%~1.19%</u>

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2019
Long-term bank borrowings			
Secured borrowings	From July 2017 to July 2024, the principal payments are repaid monthly starting from a year later and the interests are paid monthly. (Note 2)	Land, buildings and structures	\$ 73,060
Secured borrowings	From June 2018 to June 2033, the principal payments are repaid monthly from two years later and the interests are paid monthly.	Land, buildings and structures	70,000
Secured borrowings	From December 2018 to October 2038, the principal payments and the interests are both paid monthly.	Land, buildings and structures	301,355
Unsecured borrowings	From October 2018 to October 2038, the principal payments and the interests are both paid monthly.	None	142,430
			586,845
	Less : Long-term borrowings, current portion (recorded as 'other current liabilities'-others)		(39,225)
			\$ 547,620
	Interest rate range		1.45%~1.50%

Note 1: The Group applied to change the terms of the loan in 2020. Starting from August 2020, the interests are paid monthly in the first 12 months. Starting from the 13th month, the principal payments and the interests are paid monthly.

Note 2: The Group made early repayment of the loan in early August 2020.

Interest expense recognised in profit or loss amounted to \$6,959 and \$7,677 for the years ended December 31, 2020 and 2019, respectively.

(16) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension

benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of funded obligations	\$ 469,569	\$ 460,332
Fair value of plan assets	(315,974)	(306,142)
Net defined benefit liability	<u>\$ 153,595</u>	<u>\$ 154,190</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 460,332	(\$ 306,142)	\$ 154,190
Current service cost	5,306	-	5,306
Interest expense (income)	<u>3,222</u>	<u>(2,144)</u>	<u>1,078</u>
	<u>468,860</u>	<u>(308,286)</u>	<u>160,574</u>
Remeasurements:			
Return on plan assets	-	(11,170)	(11,170)
Change in financial assumptions	11,290	-	11,290
Experience adjustments	<u>6,036</u>	<u>-</u>	<u>6,036</u>
	<u>17,326</u>	<u>(11,170)</u>	<u>6,156</u>
Pension fund contribution	-	(13,135)	(13,135)
Paid pension	<u>(16,617)</u>	<u>16,617</u>	<u>-</u>
Balance at December 31	<u>\$ 469,569</u>	<u>(\$ 315,974)</u>	<u>\$ 153,595</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 512,877	(\$ 356,319)	\$ 156,558
Current service cost	4,275	-	4,275
Interest expense (income)	<u>5,129</u>	<u>(3,564)</u>	<u>1,565</u>
	<u>522,281</u>	<u>(359,883)</u>	<u>162,398</u>
Remeasurements:			
Return on plan assets	-	(12,590)	(12,590)
Change in financial assumptions	11,444	-	11,444
Experience adjustments	<u>9,280</u>	<u>-</u>	<u>9,280</u>
	<u>20,724</u>	<u>(12,590)</u>	<u>8,134</u>
Pension fund contribution	-	(16,342)	(16,342)
Paid pension	<u>(82,673)</u>	<u>82,673</u>	<u>-</u>
Balance at December 31	<u>\$ 460,332</u>	<u>(\$ 306,142)</u>	<u>\$ 154,190</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 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,	
	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation				
December 31, 2020	(\$ 9,155)	\$ 9,482	\$ 8,218	(\$ 7,991)
December 31, 2019	(\$ 9,570)	\$ 9,919	\$ 8,633	(\$ 8,387)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$14,788.

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

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

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$50,806 and \$52,160, respectively.

(17) Share capital

- A. As of December 31, 2020 and 2019, the Company's authorized capital was \$2,424,000, consisting of 242,400 thousand shares of common stock (of which 10 million shares are reserved for the issuance of stock warrants and preferred shares with stock warrants and corporate bonds with stock warrants), at a par value of \$10 (in dollars) per share. One share has a voting right, and total shares issued are 188,452 thousand shares.
- B. The beginning and ending amount of the Company's outstanding common stocks were both 188,452 thousand shares.

(18) 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.

(19) 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, 2020 and 2019 were both \$48,991.

D. On May 28, 2020 and June 21, 2019, the shareholders resolved that distribution of dividends for ordinary shares and total dividends were \$2.6 (in dollars) per share and \$489,976, \$2.4 (in dollars) per share and \$452,285, respectively. On March 9, 2021, the Board of Directors proposed to distribute dividends of NT\$2.6 (in dollars) per share totaling \$489,976.

(20) Other equity items

	2020		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation	
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	10,578	-	10,578
At December 31,	(\$ 212,814)	\$ 4,864	(\$ 207,950)
	2019		
	Currency	Unrealised	
	translation	gains (losses) on	Total
		valuation	
At January 1,	(\$ 146,589)	(\$ 14,622)	(\$ 161,211)
Revaluation	-	(24,518)	(24,518)
Currency translation differences:			
— Exchange differences on translation of net assets in foreign operations	(76,803)	-	(76,803)
At December 31,	(\$ 223,392)	(\$ 39,140)	(\$ 262,532)

(21) Operating revenue

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

<u>External customer region</u>	2020		
	Asia segment	US segment	Total
US	\$ 6,321,005	\$ 133,334	\$ 6,454,339
Asia	1,854,057	-	1,854,057
Europe	354,384	-	354,384
Other	371,196	-	371,196
	<u>\$ 8,900,642</u>	<u>\$ 133,334</u>	<u>\$ 9,033,976</u>
<u>External customer region</u>	2019		
	Asia segment	US segment	Total
US	\$ 5,812,436	\$ 131,320	\$ 5,943,756
Asia	1,890,115	-	1,890,115
Europe	472,656	-	472,656
Other	375,379	-	375,379
	<u>\$ 8,550,586</u>	<u>\$ 131,320</u>	<u>\$ 8,681,906</u>

(22) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net gain (loss) on financial assets at fair value through profit or loss	\$ 8,783	(\$ 24,408)
Gain on disposal of investments	884	909
Loss on disposal of property, plant and equipment	(1,964)	(1,282)
Net currency exchange loss	(166,227)	(3,424)
Other losses	(13,642)	(3,785)
	<u>(\$ 172,166)</u>	<u>(\$ 31,990)</u>

(23) Expenses by nature

	For the years ended December 31,	
	2020	2019
Employee benefit expense	\$ 1,738,928	\$ 1,616,132
Depreciation charges on property, plant and equipment	188,607	160,390
Depreciation charges on right-of-use assets	1,880	3,838
Amortisation	42,157	29,501
	<u>\$ 1,971,572</u>	<u>\$ 1,809,861</u>

(24) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 1,495,710	\$ 1,377,155
Labor and health insurance fees	114,929	104,129
Pension costs	57,190	58,000
Other personnel expenses	71,099	76,848
	<u>\$ 1,738,928</u>	<u>\$ 1,616,132</u>

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

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

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$212,175 and \$196,965, respectively; while directors' and supervisors' remuneration was accrued at \$18,316 and \$16,302, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2020, the Board of Directors estimated the employees' compensation and directors' and supervisors' remuneration based on the Company's Articles of Incorporation and operating performance, and the employees' compensation will be distributed in the form of cash. In addition, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors for the year ended December 31, 2020 were \$212,175 and \$18,316, respectively, and has no material differences with those amounts recognised in the 2020 financial statements.

The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors for the year ended December 31, 2019 were \$196,965 and \$16,302, respectively, and has no material differences with those amounts recognised in the 2019 financial statements.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 270,790	\$ 285,099
Tax on unappropriated earnings	7,328	4,265
Prior year income tax under estimation	1,741	5,432
Total current tax	279,859	294,796
Deferred tax:		
Origination and reversal of temporary differences	(7,371)	16,236
Income tax expense	\$ 272,488	\$ 311,032

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

	For the years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	\$ 1,231	\$ 1,627

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 278,642	\$ 314,338
Effect of amount not allowed to be recognised under the regulations	(15,223)	(13,003)
Additional tax on undistributed earnings	7,328	4,265
Prior year income tax underestimation	1,741	5,432
Income tax expense	\$ 272,488	\$ 311,032

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

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

		2020			
				Recognised in other	
		January 1	Recognised in profit or loss	comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Net defined benefit liability	\$	30,839	(\$ 1,351)	\$ 1,231	\$ 30,719
Loss on obsolete and slow-moving and market price decline of inventories		9,698	3,041	-	12,739
Accrued unused compensated absences		5,142	520	-	5,662
Accrued sales returns and discounts		8,773	9,231	-	18,004
Unrealised exchange loss		8,838	(6,358)	-	2,480
Others		3,526	2,296	-	5,822
Tax losses		13,116	(830)	-	12,286
		<u>79,932</u>	<u>6,549</u>	<u>1,231</u>	<u>87,712</u>
Deferred tax liabilities:					
Revaluation increments	(	41,619)	-	-	(41,619)
Investment income	(	130,204)	762	-	(129,442)
Others	(	599)	60	-	(539)
	(	<u>172,422</u>	<u>822</u>	<u>-</u>	<u>(171,600)</u>
	(\$	<u>92,490)</u>	<u>\$ 7,371</u>	<u>\$ 1,231</u>	<u>(\$ 83,888)</u>
		2019			
				Recognised in other	
		January 1	Recognised in profit or loss	comprehensive income	December 31
Deferred tax assets:					
Temporary differences:					
Net defined benefit liability	\$	31,312	(\$ 2,100)	\$ 1,627	\$ 30,839
Loss on obsolete and slow-moving and market price decline of inventories		8,052	1,646	-	9,698
Accrued unused compensated absences		4,602	540	-	5,142
Accrued sales returns and discounts		6,480	2,293	-	8,773
Unrealised exchange loss		3,675	5,163	-	8,838
Others		5,545	(2,019)	-	3,526
Tax losses		-	13,116	-	13,116
		<u>59,666</u>	<u>18,639</u>	<u>1,627</u>	<u>79,932</u>
Deferred tax liabilities:					
Revaluation increments	(	41,619)	-	-	(41,619)
Investment income	(	95,295)	(34,909)	-	(130,204)
Others	(	633)	34	-	(599)
	(	<u>137,547</u>	<u>(34,875)</u>	<u>-</u>	<u>(172,422)</u>
	(\$	<u>77,881)</u>	<u>(\$ 16,236)</u>	<u>\$ 1,627</u>	<u>(\$ 92,490)</u>

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

December 31, 2020					
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year	
Subsidiary-Sunion Technology Co., Ltd.					
2019	\$ 1,731	\$ -	\$ -	2029	
Subsidiary-Techform Industrial Co., Ltd.					
2017~2019	69,318	65,702	4,270	2027~2029	
Subsidiary-ARCTEK TECHNOLOGY LIMITED					
2016~2020	62,266	62,266	62,266	2021~2025	
Total	\$ 133,315	\$ 127,968	\$ 66,536		

December 31, 2019					
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year	
Subsidiary-Sunion Technology Co., Ltd.					
2019	\$ 1,731	\$ 1,731	\$ -	2029	
Subsidiary-Techform Industrial Co., Ltd.					
2017~2019	69,304	69,304	5,456	2027~2029	
Subsidiary-ARCTEK TECHNOLOGY LIMITED					
2015~2019	83,842	83,842	83,842	2020~2024	
Total	\$ 154,877	\$ 154,877	\$ 89,298		

E. As of the report date, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority. There were no disputes between the Company and the Tax Authority.

(26) Earnings per share

For the year ended December 31, 2020			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 823,839	188,452	\$ 4.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 823,839	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	5,108	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 823,839	193,560	\$ 4.26
For the year ended December 31, 2019			
	Amount	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 825,693	188,452	\$ 4.38
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 825,693	188,452	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	4,867	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 825,693	193,319	\$ 4.27

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Increase in property, plant and equipment	\$ 142,480	\$ 245,551
Add: Opening balance of payable on construction and equipment (recorded as 'other payables')	14,056	29,086
Less: Ending balance of payable on construction and equipment (recorded as 'other payables')	(6,652)	(14,056)
Cash paid for purchases of property, plant and equipment	<u>\$ 149,884</u>	<u>\$ 260,581</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2020	2019
Prepayments for equipment being converted to property, plant and equipment	<u>\$ 58,692</u>	<u>\$ 67,339</u>
Long-term borrowings, current portion (recorded as 'other current liabilities'-others)	<u>\$ 23,458</u>	<u>\$ 39,225</u>

(28) Changes in liabilities from financing activities

	At January 1, 2020	Changes in cash flow from financing activities	At December 31, 2020
Short-term borrowings	\$ 15,000	(\$ 15,000)	\$ -
Lease liability (current and non-current)	1,036	(1,036)	-
Long-term borrowings (Note)	<u>586,845</u>	<u>(94,904)</u>	<u>491,941</u>
Liabilities from financing activities-gross	<u>\$ 602,881</u>	<u>(\$ 110,940)</u>	<u>\$ 491,941</u>

	At January 1, 2019	Changes in cash flow from financing activities	Changes in other non-cash items	At December 31, 2019
Short-term borrowings	\$ -	\$ 15,000	\$ -	\$ 15,000
Lease liability (current and non-current)	3,540	(2,758)	254	1,036
Long-term borrowings (Note)	378,484	208,361	-	586,845
Liabilities from financing activities-gross	<u>\$ 382,024</u>	<u>\$ 220,603</u>	<u>\$ 254</u>	<u>\$ 602,881</u>

Note: The long-term borrowings (including current portion) (shown as other current liabilities, others)

(29) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

On May 7, 2020, July 1, 2020 and September 28, 2020, the Group acquired an additional 12.51% of shares of its subsidiary - Hundure Technology Co., Ltd. (Hundure Company) for a total cash consideration of \$23,562. There was no material difference between the carrying amount of non-controlling interest in Hundure Company and the consideration paid to non-controlling interest.

A. The Group did not conduct any transaction with non-controlling interest in 2019.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

Name of related party	Relationship with the Company
ALLEGION FU HSING LIMITED (ALLEGION)	Associate, but was dissolved on September 25, 2020.

(2) Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 74,904	\$ 68,824
Post-employment benefits	628	594
	<u>\$ 75,532</u>	<u>\$ 69,418</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Land	\$ 270,063	\$ 377,257	Collateral for long-term borrowings
Net value of buildings and structure	541,032	555,671	Collateral for long-term borrowings
Construction in progress	-	34,802	Collateral for long-term borrowings
Refundable deposits (recorded as 'other financial assets-non-current')	8,159	12,043	Guarantee for imports and derivative financial products
	<u>\$ 819,254</u>	<u>\$ 979,773</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Unused letters of credit:

	December 31, 2020	December 31, 2019
Purchase of materials and equipment	<u>\$ 18,210</u>	<u>\$ 21,499</u>

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	<u>\$ 88,088</u>	<u>\$ 49,093</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of earnings for 2020 was resolved by the Board of Directors on March 9, 2021. Details are provided in Note 6(19).

12. OTHERS

(1) Capital management

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	<u>\$ 3,056,086</u>	<u>\$ 2,756,102</u>
Total assets	<u>\$ 9,019,519</u>	<u>\$ 8,363,216</u>
Debt ratio	<u>34%</u>	<u>33%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</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>\$ 560,355</u>	<u>\$ 45</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 322,602</u>	<u>\$ 277,526</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,732,255	\$ 2,248,951
Financial assets at amortised cost	133,677	167,781
Notes receivable	37,290	29,159
Accounts receivable	1,790,353	1,476,241
Other financial assets (current and non-current)	<u>30,705</u>	<u>38,811</u>
	<u>\$ 3,724,280</u>	<u>\$ 3,960,943</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 15,000
Notes payable	8,203	38,788
Accounts payable	1,397,779	1,001,835
Other accounts payable	667,804	605,010
Long-term borrowings (including current portion)	491,941	586,845
	<u>\$ 2,565,727</u>	<u>\$ 2,247,478</u>
Lease liability (current and non-current)	<u>\$ -</u>	<u>\$ 1,036</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2020			
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 60,792	\$ 28.48	\$ 1,731,356
EUR:NTD	521	35.02	18,245
USD:RMB	34,937	6.52	995,006
RMB:NTD	40,811	4.37	178,344
AUD:NTD	1,973	21.95	43,307
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD:NTD	67,573	28.48	1,931,365
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	20,049	28.48	570,996
USD:RMB	2,983	6.52	84,956
RMB:NTD	11,275	4.37	49,272

December 31, 2019			
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 54,439	\$ 29.98	\$ 1,632,081
EUR:NTD	629	33.59	21,128
USD:RMB	34,183	6.98	1,024,806
RMB:NTD	30,851	4.29	132,351
AUD:NTD	915	21.01	19,224
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD:NTD	63,693	29.98	1,924,791
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	9,777	29.98	293,114
USD:RMB	1,881	6.98	56,392
RMB:NTD	25,005	4.29	107,271

- iv. Total exchange loss, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$166,227 and \$3,424, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

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%	\$ 17,314	\$ -
EUR:NTD	1%	182	-
USD:RMB	1%	9,950	-
RMB:NTD	1%	1,783	-
AUD:NTD	1%	433	-
<u>Non-monetary items</u>			
<u>Investments accounted for using equity</u>			
USD:NTD	1%	-	19,314
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	5,710	-
USD:RMB	1%	850	-
RMB:NTD	1%	493	-
For the year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,321	\$ -
EUR:NTD	1%	211	-
USD:RMB	1%	10,248	-
RMB:NTD	1%	1,324	-
AUD:NTD	1%	192	-
<u>Non-monetary items</u>			
<u>Investments accounted for using equity</u>			
USD:NTD	1%	-	19,248
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	2,931	-
USD:RMB	1%	564	-
RMB:NTD	1%	1,073	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, it is expected that significant price risk would not happen as the Group had assessed the bearable price risk at the time of investing and managed with proper authorisation.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$20,018 and \$0, 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 \$16,130 and \$13,876, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Interest rate risk

The Group's long-term borrowing are floating-rate debt, therefore the effective interest rate of its long-term borrowings will vary according to changes in market interest rates, creating fluctuations in future cash flows. If the market interest rate decreases by 100 basis points, the cash outflows for the years ended December 31, 2020 and 2019, will decrease by \$4,919 and \$5,868, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group's treasury measures and control credit risk of deposits with banks, fixed investment income and other financial instruments. The Group's clients and performing parties are banks with good credit quality or financial institutions and companies with investment, thus, the possibility of default is remote and the credit risk is insignificant.
- iii. The Group manages their credit risk taking into consideration the entire group's concern. To maintain quality of accounts receivable, the Group has established procedures relating to credit risk management. Individual customers' risk assessment considers several factors that may influence the customers' ability to pay, such as the customer's financial position,

historical transactions and current economic situation. Individual risk limits are set based on internal or external ratings in accordance with limits set by the sales department. The utilisation of credit limits is regularly monitored. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance to reduce credit risk of specific customers.

- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. As of December 31, 2020 and 2019, the Group assesses the default possibility of accounts receivable for its customers: The provision for not past due and up to 30 days past due both was 0% and 0.01%, respectively; The provision for 31 to 360 days past due was 25% ~50%; And the provision for past due over a year was 100%. In addition, as of December 31, 2020 and 2019, the Group's balance of receivables past due over 31 days constitutes 0.35% and 0.22%, respectively, of total receivables.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 2,929	\$ 28
Provision for (reversal of) impairment	895 (	13)
Write-offs	(742)	-
At December 31	<u>\$ 3,082</u>	<u>\$ 15</u>

	2019	
	Accounts receivable	Notes receivable
At January 1	\$ 1,047	\$ 40
Provision for impairment	1,888	-
Write-offs	(6)	(12)
At December 31	<u>\$ 2,929</u>	<u>\$ 28</u>

For provisioned loss in 2020 and 2019, the impairment losses arising from customers contracts is \$882 and \$1,888, respectively.

(c) Liquidity risk

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

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

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

	December 31, 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	\$ 8,203	\$ -	\$ -	\$ -
Accounts payable	1,397,779	-	-	-
Other payables	667,804	-	-	-
Long-term borrowings (including current portion)	29,167	33,312	99,393	382,460
<u>Derivative financial liabilities:</u> None				

	December 31, 2019			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Short-term borrowings	\$ 15,130	\$ -	\$ -	\$ -
Notes payable	38,788	-	-	-
Accounts payable	1,001,835	-	-	-
Other payables	605,010	-	-	-
Lease liability	1,036	-	-	-
Long-term borrowings (including current portion)	47,751	49,391	139,581	426,725
<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 Group's investment in listed stocks, beneficiary certificates is included in Level 1.

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

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other financial assets, short-term borrowings, notes payable, accounts payable, other payables, lease liability, long-term borrowings (including current portion) and guarantee deposits received 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, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 560,355	\$ -	\$ -	\$ 560,355
Financial assets at fair value through other comprehensive income				
Equity security	309,102	-	13,500	322,602
	<u>\$ 869,457</u>	<u>\$ -</u>	<u>\$ 13,500</u>	<u>\$ 882,957</u>

Liabilities:None

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

Liabilities:None

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

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

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

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

D. For the years ended December 31, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 14,500	\$ 14,500
Proceeds from liquidation of investees	(1,000)	-
At December 31	<u>\$ 13,500</u>	<u>\$ 14,500</u>

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. The Group's treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 periodically, which is to evaluate and measure the fair value of financial instruments.

H. The Group's equity securities for fair value measurements being categorised within Level 3 are investments in unlisted companies evaluated by net asset value method.

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

(1) General information

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

(2) Measurement of segment information

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

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

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

	For the year ended December 31, 2020			
	Asia	America	Adjustment and elimination	Total
Revenue from external customers	\$ 8,900,642	\$ 133,334	\$ -	\$ 9,033,976
Inter-segment revenue	3,305,891	59,318	(3,365,209)	-
Total segment revenue	<u>\$ 12,206,533</u>	<u>\$ 192,652</u>	<u>(\$ 3,365,209)</u>	<u>\$ 9,033,976</u>
Reportable segment profit or loss	<u>\$ 1,203,107</u>	<u>\$ 18,225</u>	<u>(\$ 2,023)</u>	<u>\$ 1,219,309</u>
Segment income (loss):				
Depreciation and amortization	<u>\$ 229,928</u>	<u>\$ 2,716</u>	<u>\$ -</u>	<u>\$ 232,644</u>

For the year ended December 31, 2019				
	Asia	America	Adjustment and elimination	Total
Revenue from external customers	\$ 8,550,586	\$ 131,320	\$ -	\$ 8,681,906
Inter-segment revenue	3,291,943	64,413	(3,356,356)	-
Total segment revenue	<u>\$ 11,842,529</u>	<u>\$ 195,733</u>	<u>(\$ 3,356,356)</u>	<u>\$ 8,681,906</u>
Reportable segment profit or loss	<u>\$ 1,101,857</u>	<u>\$ 26,370</u>	<u>\$ 11,655</u>	<u>\$ 1,139,882</u>
Segment income (loss):				
Depreciation and amortization	<u>\$ 190,850</u>	<u>\$ 2,879</u>	<u>\$ -</u>	<u>\$ 193,729</u>

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2020 and 2019 is provided as follows:

	For the years ended December 31,	
	2020	2019
Reportable segments profit and loss	\$ 1,219,309	\$ 1,139,882
Dividend income	10,477	9,788
Net currency exchange loss	(166,227)	(3,424)
Gain on disposal of investments	884	909
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	8,783	(24,408)
Share of (loss) profit of associates and joint ventures accounted for under equity method	(2,270)	(2,001)
Others	34,182	33,477
Profit before tax and continued operations	<u>\$ 1,105,138</u>	<u>\$ 1,154,223</u>

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

(5) Information on products and services

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

(6) Geographical information

Revenue from external customers:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 6,454,339	\$ 77,332	\$ 5,943,756	\$ 82,542
Asia	1,854,057	2,882,141	1,890,115	2,931,404
Others	725,580	-	848,035	-
	<u>\$ 9,033,976</u>	<u>\$ 2,959,473</u>	<u>\$ 8,681,906</u>	<u>\$ 3,013,946</u>

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

(7) Major customer information

	For the years ended December 31,			
	2020		2019	
	Revenue	Segment	Revenue	Segment
C	\$ 2,454,505	Asia	\$ 2,575,548	Asia
D	1,543,880	Asia	1,162,882	Asia
E	931,375	Asia	694,107	Asia
	<u>\$ 4,929,760</u>		<u>\$ 4,432,537</u>	

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Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					balance during	December 31,						for	Item	Value			
					year ended December 31, 2020	December 31, 2020						doubtful accounts					
0	Taiwan Fu Hsing Industrial Co., Ltd.	FU HSING AMERICAS INC.	Other receivables-related parties	Y	\$ 15,088	\$ -	\$ -	2.50	Note 1(1)	\$ 124,661	-	\$ -	None	\$ -	\$ 124,661	\$ 1,168,305	Note 2
1	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	Other receivables-related parties	Y	173,040	83,160	83,160	2.50	Note 1(2)	-	Operating turnover	-	None	-	183,277	274,915	Note 3
2	FORMFLEX ENTERPRISE CO., LTD.	FU HSING AMERICAS INC.	Other receivables-related parties	Y	6,310	-	-	2.50	Note 1(2)	-	Operating turnover	-	None	-	68,779	96,322	Note 3
3	Fortress Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Other receivables-related parties	Y	110,000	60,000	-	2.616	Note 1(1)	141,971	-	-	None	-	133,741	133,741	Note 3

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

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

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

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

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

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Taiwan Fu Hsing Industrial Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	None	Financial assets at fair value through profit or loss - current	28,966,542	\$ 395,275	Note 2	\$ 395,275	
	Beneficiary certificates - Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss - current	5,354,793	80,054	Note 2	80,054	
	Beneficiary certificates - Capital Money Market Fund	None	Financial assets at fair value through profit or loss - current	3,319,972	54,001	Note 2	54,001	
	Beneficiary certificates - Yuanta/P-shares Taiwan Dividend Plus ETF	None	Financial assets at fair value through profit or loss - current	535,000	16,023	Note 2	16,023	
	Stocks - Fine Blanking & Tool Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	7,552,867	239,426	9.98	239,426	
	Stocks - Min Aik Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,107,000	33,321	1.44	33,321	
	Stocks - Advanced International Multitech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	315,000	12,852	0.23	12,852	
	Stocks - Excelsior Medical Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	205,000	11,500	0.15	11,500	
	Stocks - King Chou Marine Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	330,000	10,808	0.39	10,808	
	Stocks - Sunsino Development Associate Inc.	None	Financial assets at fair value through other comprehensive income - non-current	833,406	7,000	1.75	7,000	
	Stocks - NCKU Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,300,000	6,500	8.33	6,500	
	Stocks - Launch Technologies Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	50,000	1,195	0.10	1,195	
	Stocks - Saint Pin Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	251,835	-	4.20	-	
	Stocks - Nailermate Enterprise Corp.	None	Financial assets at fair value through other comprehensive income - non-current	45,972	-	7.37	-	
	Stocks - Sing Bee Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	511,928	-	1.54	-	
	Stocks - Tsu Yung Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	400,000	-	4.00	-	
	Stocks - MAP TECHNOLOGY HOLDINGS LIMITED	None	Financial assets at fair value through other comprehensive income - non-current	7,853,941	-	5.47	-	
	Stocks - 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	-	4.78	-	
	Stocks - Melten Connected Healthcare Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,111,111	-	1.71	-	
Arctek Industrial Co., Ltd.	Beneficiary certificates - Fuh Hwa You Li Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,104,956	15,002	Note 2	15,002	

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, 2020

Table 3

Expressed in thousands of NTD

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2020		Addition		Disposal				Balance as at December 31, 2020	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	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	-	-	-	\$ -	86,496,570	\$ 1,178,000	57,530,028	\$ 783,204	\$ 783,000	\$ 204	28,966,542	\$ 395,000
	Beneficiary certificates -Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	42,204,853	629,000	36,850,060	549,277	549,000	277	5,354,793	80,000
	Beneficiary certificates - Union Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	61,876,635	822,000	61,876,635	822,188	822,000	188	-	-
	Beneficiary certificates - Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	31,008,338	504,000	27,688,366	450,124	450,000	124	3,319,972	54,000
Fortress Industrial Co., Ltd.	Beneficiary certificates -Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	28,790,206	429,000	28,790,206	429,117	429,000	117	-	-

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, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		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	\$ 1,594,598	37	Agreement	Note	Note	(\$ 404,811)	(49)	
	Techform Industrial Co., Ltd.	Subsidiary	Purchases	348,350	8	Agreement	Note	Note	(49,504)	(6)	
	Ziyong Hardware Products (Taicang) Co., Ltd.	Indirectly-owned subsidiary	Purchases	148,997	3	Agreement	Note	Note	(5,519)	(1)	
Fortress Industrial Co., Ltd.	FU HSING AMERICAS INC.	Subsidiary	(Sales)	(124,661)	(2)	Agreement	Note	Note	71,428	6	
	FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Subsidiary	Purchases	125,532	16	Agreement	Note	Note	(20,471)	(11)	
	Arctek Industrial Co., Ltd.	Affiliated company	Purchases	141,971	18	Agreement	Note	Note	(13,125)	(7)	
Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated company	(Sales)	(245,689)	(41)	Agreement	Note	Note	71,124	57	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(348,350)	(58)	Agreement	Note	Note	49,504	40	
	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(148,997)	(10)	Agreement	Note	Note	5,519	1	
Ziyong Hardware Products (Taicang) Co., Ltd.	Techform Industrial Co., Ltd.	Affiliated company	Purchases	245,689	19	Agreement	Note	Note	(71,124)	(19)	
	Formflex Metal Industrial (Changshu) Co., Ltd.	Affiliated company	(Sales)	(129,508)	(9)	Agreement	Note	Note	36,966	9	
	Ziyong Hardware Products (Taicang) Co., Ltd.	Affiliated company	Purchases	129,508	9	Agreement	Note	Note	(36,966)	(8)	
Formflex Metal Industrial (Changshu) Co., Ltd.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	(Sales)	(1,594,598)	(98)	Agreement	Note	Note	404,811	83	
Arctek Industrial Co., Ltd.	Fortress Industrial Co., Ltd.	Affiliated company	(Sales)	(141,971)	(65)	Agreement	Note	Note	13,125	31	
FORTRESS DOOR CONTROL PRODUCT (CHANGSHU) CO., LTD.	Fortress Industrial Co., Ltd.	Parent company	(Sales)	(125,532)	(89)	Agreement	Note	Note	20,471	73	
FU HSING AMERICAS INC.	Taiwan Fu Hsing Industrial Co., Ltd.	Parent company	Purchases	124,661	94	Agreement	Note	Note	(71,428)	(100)	

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

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	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	\$ 404,811	5.63	\$ -	-	\$ 298,345	\$ -

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 6
Transactions amount between the parent company and subsidiaries or between subsidiaries reaching \$10 million is provided below and descriptions are disclosed in Note 2, and the same transaction is disclosed only once. Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Taiwan Fu Hsing Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	1	Purchases	\$ 148,997	Agreement	1.65%
		"	"	Service revenue	16,833	Agreement	0.19%
		"	"	Other receivables - related parties	16,083	Agreement	0.18%
		Formflex Metal Industrial (Changshu) Co., Ltd.	1	Purchases	1,594,598	Agreement	17.65%
		"	"	Accounts payable - related parties	404,811	Agreement	4.49%
		"	"	Other payables - related parties	19,595	Agreement	0.22%
		FU HSING AMERICAS INC.	1	Sales	124,661	Agreement	1.38%
		"	"	Operating expense	59,182	Agreement	0.66%
		"	"	Accounts receivable - related parties	71,428	Agreement	0.79%
		"	"	Other payables - related parties	14,611	Agreement	0.16%
		Hundure Technology Co., Ltd.	1	Purchases	22,061	Agreement	0.24%
		Techform Industrial Co., Ltd.	1	Purchases	348,350	Agreement	3.86%
		"	"	Accounts payable - related parties	49,504	Agreement	0.55%
		Sunion Technology Co., Ltd.	1	Purchases	87,239	Agreement	0.97%
1	Fortress Industrial Co., Ltd.	Fortress Door Control Product (Changshu) Co., Ltd.	3	Purchases	125,532	Agreement	1.39%
		"	"	Accounts payable - related parties	20,471	Agreement	0.23%
		Arctek Industrial Co., Ltd.	3	Purchases	141,971	Agreement	1.57%
		"	"	Accounts payable - related parties	13,125	Agreement	0.15%
		"	"	Property, plant and equipment	183,934	Agreement	2.04%
2	Techform Industrial Co., Ltd.	Ziyong Hardware Products (Taicang) Co., Ltd.	3	Sales	245,689	Agreement	2.72%
		"	"	Purchases	34,046	Agreement	0.38%
		"	"	Accounts receivable - related parties	71,124	Agreement	0.79%
		"	"	Accounts payable - related parties	16,232	Agreement	0.18%
3	Ziyong Hardware Products (Taicang) Co., Ltd.	Formflex Metal Industrial (Changshu) Co., Ltd.	3	Sales	129,508	Agreement	1.43%
		"	"	Purchases	30,588	Agreement	0.34%
		"	"	Accounts receivable - related parties	36,966	Agreement	0.41%
		"	"	Accounts payable - related parties	11,077	Agreement	0.12%
4	Formflex Metal Industrial (Changshu) Co., Ltd.	Arctek Security Technologies (Shanghai) Co., Ltd.	3	Other receivables - related parties (Loans to)	83,160	Agreement	0.92%
		Changshu Fortune Packing Material Co., Ltd.	3	Purchases	30,522	Agreement	0.34%
5	Rui Sheng Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	3	Sales	22,540	Agreement	0.25%

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, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	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	\$ 956,618	\$ 137,740	\$ 132,803	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Master United Investment Group Ltd.	British Virgin Islands	Investment holdings	538,240	538,240	1,560,000	100	763,251	28,417	26,794	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Techform Industrial Co., Ltd.	Taiwan	Processing of hardware products	800,000	700,000	80,000,000	100	745,178	1,933	1,933	
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	667,297	42,320	42,494	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Fu Hsing Americas Inc.	U.S.A	Sales of door locks and related accessories	11,263	11,263	300,000	100	129,770	11,269	9,388	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Arctek Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	65,200	65,200	5,838	70	81,212 (	424) (	176)	Note 2
Taiwan Fu Hsing Industrial Co., Ltd.	Hundure Technology Co., Ltd.	Taiwan	Manufacturing and sales of electrical control equipment and electrical security fire surveillance system	151,562	128,000	6,615,390	64	115,076	17,708	8,949	
Taiwan Fu Hsing Industrial Co., Ltd.	Sunion Technology Co., Ltd.	Taiwan	Sales and manufacture of electronic lock parts	29,000	29,000	2,900,000	100	31,670	4,055	4,055	
Taiwan Fu Hsing Industrial Co., Ltd.	Allegion Fu Hsing Ltd.	Hong Kong	Other kind of transaction business	-	-	-	-	- (	4,633) (	2,270)	Notes 1 and 4
Arctek Industrial Co., Ltd.	Rui Sheng Industrial Co., Ltd.	Taiwan	Sales and manufacture of transom closers and floor springs	14,000	14,000	756,000	70	23,388	2,134	-	Note 3
Formflex Enterprise Co., Ltd.	Fortune Industrial Ltd.	SAMOA	Investment holdings	6,698	6,698	204,000	51	11,497	3,812	-	Note 3

Note 1: Unissued stocks.

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

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

Note 4: The investee was dissolved on September 25, 2020.

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2020

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	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	\$ 135,545	100	\$ 135,545	\$ 916,386	\$ 534,108	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	28,417	100	28,417	741,883	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	(4,393)	100	(4,432)	81,726	-	Note 2
ChangShu Fortune Packing Material Co., Ltd.	Sales and manufacture of packing materials and plastic	13,133	(2)	6,698	-	-	6,698	3,812	51	1,944	11,487	-	Note 2
Arctek Security Technologies (Shanghai) Co., Ltd.	Sales and manufacture of transom closers and floor springs	107,746	(3)	-	-	-	-	(1,972)	100	(1,972)	(54,410)	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 3,578,059	Note 3
Fortress Industrial Co., Ltd.	90,750	90,750	401,224	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, 2020

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other receivables		Provision of endorsements/guarantees or collaterals		Financing					Others
	Amount	%	Amount	%	Balance at December 31, 2020		Amount	%	Balance at December 31, 2020		Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020		
						%				Purpose						
Formflex Material Industrial (Changshu) Co., Ltd.	(\$ 1,594,598)	(37)	\$ 7,412	24	(\$ 424,406)	(49)	\$ 171	1	\$ -	-	\$ -	-	\$ -	-	\$ -	
Ziyong Hardware Products (Taicang) Co., Ltd.	(148,997)	(3)	16,833	55	(5,519)	(1)	16,083	82	-	-	-	-	-	-	-	
Ziyong Hardware Products (Taicang) Co., Ltd.	245,689	41	-	-	71,124	57	-	-	-	-	-	-	-	-	-	
Ziyong Hardware Products (Taicang) Co., Ltd.	(34,046)	(8)	-	-	(16,232)	(32)	-	-	-	-	-	-	-	-	-	Purchasing property, plant and equipment \$ 3,749
Fortress Door Control Product (Changshu) Co., Ltd.	(125,532)	(16)	1,477	16	(20,471)	(11)	25	-	-	-	-	-	-	-	-	

Taiwan Fu Hsing Industrial Co., Ltd. And Subsidiaries
Major shareholders information
December 31, 2020

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.