

Security Code : 9924

台灣福興工業股份有限公司

TAIWAN FU HSING INDUSTRIAL CO., LTD.



2018

ANNUAL REPORT

Printed Date: April 17, 2019

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

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

1. Taiwan Fu Hsing Spokesperson and Acting Spokesperson

Spokesperson:

Name: LI, Kuo-Wei

Title: Chief Finance Officer

Contact Number: +886 7 6225151 ext. 450

Email Address: stephen@fuhxing.com.tw

Acting Spokesperson:

Name: TSAI, Yen-Fen

Title: Manager of the Human Resource Dept.

Contact Number: +886 7 6225151 ext. 110

Email Address: tammy@fuhxing.com.tw

2. Company and factory address and phone number

Headquarter (Factory):

Address: No.88, Yucai Rd., Benzhou Vil., Kangshan Dist., Kaohsiung City, Taiwan

Telephone No.: +886 7 6225151

Taipei Contact Office:

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

Telephone No.: +886 2 22787810~11

Taichung Contact Office:

Address: No.310, Hezuo ST., South Dist., Taichung City, Taiwan

Telephone No.: +886 4 22859965

3. Agent for stock affairs:

Name: Capital Securities Corporation Stock Affairs Agency Services Dept.

Address: B2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City, Taiwan

Website: www.capital.com.tw

Telephone No.: +886 2 27023999

4. Certifying CPA of the current year

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

Name of Accounting Firm: PwC Taiwan

Address: 22/F, No.95, Minzu 2nd Rd., Kaohsiung City, Taiwan

Website: www.pwc.com.tw

Telephone No.: +886 7 2373116

5. Listed overseas securities for trading: None

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

CONTENTS

I. Letter to Shareholders	5
II. Company Profile	8
(1) Date of Establishment	8
(2) Milestones	8
III. Corporate Governance Report	11
(1) Organization System	11
(2) Information on the company's directors, supervisors, president, vice president, Director, and the superintendents of all the company's divisions and branch units	13
(3) Remuneration paid to directors, supervisors, president and vice president in current fiscal year	25
(4) Corporate governance practices	34
(5) Information on certifying accountants	82
(6) Information on certifying accountant's professional fees	82
(7) Information on the change of certifying accountants	82
(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	82
(9) Change of shareholding for directors, supervisors, manager, and major shareholders	83
(10) Information on the top ten shareholders and their interrelationships	83
(11) Composite share holding percentage	85
IV. Capital Raising Activities	86
(1) Source of capital stock	86
(2) Shareholding structure	86
(3) Dispersion of shareholding	87
(4) Name list of major shareholders	87
(5) Share prices, net worth, earnings, dividends, and other related information in the most recent two fiscal years	87
(6) Dividend policy and the implementation	88
(7) Effects of proposed stock dividend distribution to the company's operation performance and earnings per share	89
(8) Employee's bonuses and remunerations paid to directors and supervisors	89
(9) Share buyback situation	90
(10) Issuance of corporate bond	90
(11) Issuance of preferred stock	90
(12) Issuance of global depository receipt	90
(13) Employee stock option	90
(14) Mergers or acquisitions, and issuance of new shares due to acquisition of shares of other companies	90
(15) The implementation of capital allocation plan	90
V. The Operations	91
(1) Operation content	91

(2) Market and the Production-Marketing Situation	96
(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	101
(4) Expenditures on environmental protection	102
(5) Work environment and measures adopted to protect employee's safety	103
(6) Labor-Capital relations.....	105
(7)Important contracts.	110
VI. Financial Report	111
(1) Condensed Balance Sheets and Statements of Income	111
(2) Financial analysis.....	117
(3) Supervisor's report on the most recent fiscal year's financial report	123
(4) Financial statements of the most recent fiscal year: please refer to Attachment I.	124
(5) The CPA certified consolidated financial statements of the most recent fiscal year.....	124
(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	124
VII Financial situation and discussions and analysis on the year's operation results and the risk management	125
1. Financial situation.....	125
2. Operation results.....	126
3. Review and analysis Table on Cash Flows.....	127
4. Influences of major capital expenditure plan in the recent fiscal year:	127
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:	127
6Risk management & assessment	128
7. Other important matters.	132
VIII. Special Notes	133
(1)Disclosure regarding affiliated companies	133
(2)Private placement of securities.....	142
(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	142
(4)Other matters that require additional explanation.....	142
IX. Situations Listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that Might Materially Affect Shareholder's Equity or The Company's Stock Price	143
X. Appendix (Financial Reports)	

I. Letter to Shareholders

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

Taiwan Fu Hsing welcomes your presence in this year's Shareholders' Meeting. In 2018, the intense international trade situation, which was caused by US-China trade war, and the pricing fluctuation of international bulk metal materials as well as major currencies had brought great challenges to export sales dominated companies, like Taiwan Fu Hsing. But, it was fortunate that with all the devotions by Fu Hsing teams to cope with the adverse situations and well-arranged capacity planning, at the end of last year, Taiwan Fu Hsing even presented you a transcript with better achievements than 2017. We thank you all Taiwan Fu Hsing shareholders' long-term supports and trust and we must bear in mind your trust and supports to keep solidifying Taiwan Fu Hsing's foundation and keeping up to realize all the expectations.

In the past year, the Company, besides kept devoting to the operation of our core businesses, also made great efforts in social welfares and promoted sports activities. Such efforts, as below, also received positive feedbacks from all the social circles:

1. Sponsored to enable the use of WeiWuYing National Kaohsiung Center for the Arts.
2. Sponsored to co-organize the activity of "Young Innovative Design Festival" held in The Pier 2 Art Center.
3. Fu Hsing Cup Tennis Competition with record-breaking participating teams

The Company's 2018 operation results are stated as the following:

(1) Review the implementation of Business Plan

Unit: NTD1,000

List	2018	2017	Increase (Decrease)	Increase (Decrease) by %
Revenues (Net)	\$8,303,458	\$8,006,401	\$297,057	4%
Operating Profit	826,209	808,364	17,845	2%
NIBT (Net Income Before Tax)	975,276	738,598	236,678	32%
NIAT (Net Income After Tax)	693,117	549,976	143,141	26%

(2) Review of Budget Implementation

Not available. Fu Hsing did not disclose Financial Forecast for the year of 2018.

(3) Analysis of Receipt, Expenditure, and Profitability

List		2018	2017
Financial Structure	Debt to Total Asset (%)	32.45	31.14
	Long Fund to Fixed Assets, Plants, and Facilities (%)	223.64	257.53
Business	Current Ratio (%)	243.60	236.93

Solvency	Quick Ratio (%)	188.31	187.19
	Interest Protection Multiples	385.72	530.46
Profitability	Return on Assets (%)	9.05	7.32
	Return on Equity (%)	13.23	10.58
	NIBT to Paid In Capital (%)	51.75	39.19
	Net Profit Ratio (%)	8.35	6.87
	Earnings Per Share (NTD)	3.68	2.92

(4) **Research & Development Works**

The development of new products and technology has always been one important operational direction for Taiwan Fu Hsing. In 2018, the goal to expand smart home market's IoT lock was not changed. We integrated computer software and cell phone apps and, through the most up-to-date communication technology, connected those to the existing smart home platforms in the market. At the same time, we also kept improving the appearance design and electronic functions to keep accumulating cross-industrial R&D abilities.

As for the mechanic locks, we paid even more attention to user experiences, and so continued to devote to developing more installation-friendly and use-friendly locks. We expected to not only expand our shares in the DIY market but also to gain more shares in the construction market, where needed relatively a greater volume of locks, by saving client's installation works and time with the goal to create a win-win situation for both parties.

In the area of commercial locks, we also continued to expand product's new functions, so as to enlarge our market coverage in North America market and meet all the demands in commercial application. Meanwhile, we also enhance such product's added-value.

While speaking of product quality's control and inspection, we have our insistence and never slack off. In 2018, our lab was certified by Intertek as its SATELLITE TM Level 3 certified lab. The goal was to ensure our lock product in its manufacturing procedures, from R&D to mass production, can be the safest and most reliable choice for our customers.

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

a. New plant in the Benjhou Industrial Zone to officially start operation

In order to carry out automated critical process and promote overall production effectiveness, Taiwan Fu Hsing invested in 1 billion Taiwanese dollars to set up "Tong Hsing Enterprise Co., Ltd." in Benjhou Industrial Zone to specifically work on zinc alloy's stamping process and surface treatments. The new plant was expected to officially start production this year to inject in new energy and capacity for Fu Hsing Group. In addition, atop the new plant's building, there are built with solar power panels in an extensive area for more than 1100 ping (about 3,636 m²) to respond to the green energy trend.

b. To cope with the economic situation in the future and well-arrange capacity

Ever since the U.S.-China trade war started in last year, it seems to heat up recently. In the future, if the U.S. decides to impose 25% special tariff on all China-imported merchandises, all the manufacturing businesses in China will be impacted greatly, in the sense of depth and width. Fu Hsing has production sites both in Taiwan and China. Started from last year, we carried out a full-scale inspection on all our plants' products, competitiveness, and supply chain relations and executed capacity layout arrangement accordingly and made associated adjustments, hoping to minimize impacts caused by trade war. We have faith that Taiwan Fu Hsing is able to ride out the trade hurricane.

- c. Further establish the Company's corporate governance culture to protect investor's rights
The Financial Supervisory Commission, R.O.C. released the "Corporate Governance Roadmap" in Dec. 2013 and started to access market-listed and OTC-listed companies' corporate governance. It was expected to strengthen the standard of the nation's corporate governance and protect investor's rights. The Company, ever since the corporate governance assessment started, has implemented a number of CG related policies, including the strategy of board member's diversification, evaluation of board of directors' performance, release of dividend policy, establishment of ethical operation principles, disclosure on the communication channels among interested parties, etc... These all specifically reflects that Taiwan Fu Hsing has stepped further toward better corporate governance year after year. In the future, we will continue and keep on the promotion of series of related activities in order to better establish the Company's corporate governance culture and protect our investors' rights.

The US-China trade war started in 2018 and continued till now as an on-going war. In addition, the Brexit issue is still an un-solved problem. Therefore, all are looking at 2019 global economy with a much more conservative view. The IMF estimated this year the global economic growth rate to be 3.3%, which was the lowest expectation since the financial crisis in 2009. Therefore, we must be careful and discreet. By more effectively integrating group resources, more precisely planning on operational strategies, Taiwan Fu Hsing will go forward steadily with all our shareholders to grow further against the head wind and keep achieving better performance.

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., Benzhou Vil., Kangshan Dist., Kaohsiung City
Telephone No.: +886 7 6225151
Taipei Contact Office:
Address: 7/F, No.10, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City,
Taiwan
Telephone No.: +886 2 22787810~11
Taichung Contact Office:
No.310, Hezuo ST., South Dist., Taichung City
Telephone: +886 4 22859965
- iii. Business Scope:
 - A. CA04010 Metal Surface Treating
 - B. CA02070 Lock Manufacturing
 - C. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
 - D. CD01030 Automobiles and Parts Manufacturing
 - E. CD01040 Motor Vehicles and Parts Manufacturing
 - F. F214030 Retail Sale of Motor Vehicle Parts and Supplies
 - G. CQ01010 Die Manufacturing
 - H. F206030 Retail Sale of Die
 - I. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
 - J. CC01101 Restrained Telecom Radio Frequency Equipments and Materials

Manufacturing

- K. CA02080 Metal Forging Industry
- L. CA01090 Aluminum Casting Manufacturing
- M. CA01990 Other Non-Ferrous Metal Basics Industries
- N. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Milestones

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

	<p>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. •Implemented employee bonus and employee stock policy. •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	<ul style="list-style-type: none"> • E-Management: Introduced in BI (Business Intelligent) system to connect with the company's ERP database for prompter and comprehensive data analysis. •E-Pass system was introduced into the Mold Center to enhance the accuracy of production cost calculation and promote the overall competitiveness. •Invested in China and set up ChangShu Fortune Packing Material Co., Ltd. with total investment amount of US 204,000 dollars.
2008	<ul style="list-style-type: none"> •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 integrate corporate resources and information system. •Enlarged the scale of China investment project and increased the capital of Formflex Metal Industrial (Changshu) Co., Ltd. to US 9,000,000 dollars. The actual amount wired to China up to the end of 2008 was US 14,000,000 dollars.
2009	<ul style="list-style-type: none"> •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. •Received AFNOR ASIA's ISO14001 international certification through TAF environment management monitoring system. •Implemented treasury stock buyback and used for capital reduction. The total capital at the time was NTD 1,884,521,700.

2010	<ul style="list-style-type: none"> • Introduced Lean Production System. • Introduced BPM (Business Process Management) system. • Acquired 70% of Rui Sheng Industrial Co., Ltd. through ARCTEK Industrial Co., Ltd. • All the issued outstanding securities changed to be non-physical securities.
2011	<ul style="list-style-type: none"> • Obtained the AEO certification from the Customs Administration, Ministry of Finance R.O.C. and became one of the good AEO safety certified companies.
2012	<ul style="list-style-type: none"> • Consolidated a 100% own subsidiary, Tai Master Enterprise Co., Ltd. • Spited Fu Hsing's Changhua branch that was responsible for the production and sale of door closer type products from the company and assigned it to Fu Hsing's subsidiary, Fortress Industrial Co., Ltd. on January 1st, 2013. • Established Arctek (Shanghai) International Trading Co., Ltd. • Invested USD5,000,000 in Formflex Metal Industrial (Changshu) Co., Ltd. in China to increase the capital. • Officially launched the operation of Remuneration Committee in first quarter.
2013	<ul style="list-style-type: none"> • The door lock production base, Fu Hsing Industrial (Shanghai) Co., Ltd., in Shanghai stopped operation in the end of January due to land expropriation relating to Shanghai government's municipal construction planning. Its related door lock capacity was transferred to Fu Hsing's Changshou plant and continued to provide customers with superior products and services. • Established the "Guidance for Ethical Operation Procedures and Behaviors" as a code of conduct for employee's external behaviors. • In order to cooperate with the door plate re-organization and consolidation project requested by the Household Registration Office, address of Fu Hsing's headquarter changed from "No.55-10, Benzhou 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. • Established Fortress Door Control Product (Changshu) Co., Ltd. • Established Tong Hsing Enterprise Co., Ltd.
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)

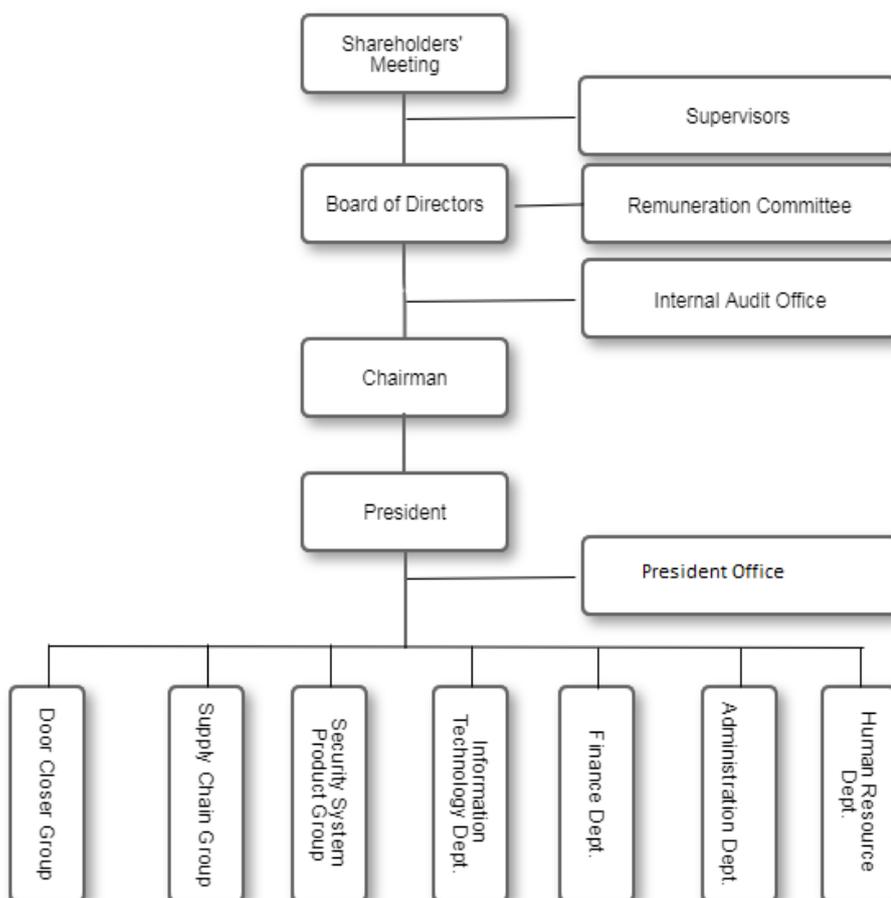
III. Corporate Governance Report

(1) Organization System

1. Organization Chart

Data drawn: Dec. 31, 2018

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 Dec. 31st, 2018

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	Jun. 19, 2017	3 Years	5/31/1990	1,624,978	0.86%	1,624,978	0.86%	597,576	0.32%	-	-	Soochow University - Accounting	Note 2	Vice President Supervisor Director	CHANG, Jui-Pi LIN, Wen-Hsing LIN, Tzu-Hsuan	Spouse Brother Son
President	Taiwan R.O.C.	CHEN, Chien-Kun	Male	Jun. 19, 2017	3 Years	2/24/1993	675,132	0.36%	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 3	-	-	-
Director	Taiwan R.O.C.	Representative of Fu Zhi Investment Co., Ltd.: CHU, Jung-Ho	Male	Jun. 19, 2017	3 Years	5/31/2008	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	National SunYat-Sen University - EMBA	Note 4	-	-	-

Director	U.S.A.	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	Male	Jun. 19, 2017	3 Years	5/31/2008	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	Brigham Young University - MBA	Note 5	-	-	-
Director	Taiwan R.O.C.	Representative of Hong Cheng Investment Development Co., Ltd.: LIN, Tzu-Hsuan	Male	Jun. 19, 2017	3 Years	6/19/2017	5,721,451 (Note 1)	3.04%	5,721,451 (Note 1)	3.04%	-	-	-	-	University of Technology Sydney-MBA	Note 6	Chairman Vice President	LIN, Jui-Chang CHANG, Jui-Pi	Father Mother
Independent Director	Taiwan R.O.C.	CHANG, Ling-Ling	Female	Jun. 19, 2017	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University / Accounting	Note 7	-	-	-
Independent Director	Taiwan R.O.C.	CHEN, Yung-Chun	Male	Jun. 19, 2017	3 Years	6/19/2017	0	0%	0	0%	-	-	-	-	Soo-Chow University/Acc ounting	Note 8	-	-	-
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	Male	Jun. 19, 2017	3 Years	4/16/1999	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	90,045	0.05%	-	-	Cheng Shiu College - Machinery	Note 9	Chairman	LIN, Jui-Chang	Brother

Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	Male	Jun. 19, 2017	3 Years	4/16/1999	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	-	-	-	-	Feng Chia University - Statistics	Note 10	-	-	-
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	Male	Jun. 19, 2017	3 Years	5/31/2005	2,697,185 (Note 1)	1.43%	2,697,185 (Note 1)	1.43%	-	-	-	-	National Taiwan University of Science and Technology Graduate School-Industry Management	Note 11	-	-	-

Note 1: Number of shares held by corporate shareholders.

Note 2: Is concurrently a director in FU HSING AMERICAS, INC., a director in Allegion Fu Hsing Limited, a director in Fine Blanking & Tool Co., Ltd., a director in ALLEGION Fu Hsing Holdings., LTD., the Chairman of ARCTEK Industrial Co, Ltd., a director in Launch Technologies Co., Ltd., an supervisor in Taiflex Scientific Co., Ltd., a supervisor in Advanced International Multitech Co., Ltd., a director in De Zhi Mei International Co., Ltd., a director in Arctek (Shanghai) Safety Protection Technology Co., Ltd., the Chairman of Fortress Industrial Co., Ltd., and the Chairman of Tong Hsing Enterprise Co., Ltd.

Note 3: Is concurrently the President of the Company, the Chairman of Master United Investment Group Ltd., the Chairman of Formflex Enterprise Co., Ltd., the Chairman of Formflex Metal Industrial (Changshu) Co, Ltd., the Chairman of Ziyong Hardware Products (Taichang) Co., Ltd., a director in ARCTEK Industrial Co., Ltd., the Chairman of Rui Sheng Industrial Co., Ltd., a director in Arctek (Shanghai) Safety Protection Technology Co., Ltd., the President and a director in Fortress Industrial Co., Ltd., the Chairman of Fortress Door Control Product (Changshu) Co., Ltd., and a director of Tong Hsing Enterprise Co., Ltd.

Note 4: Is concurrently the President of business group in the company, the Chairman of FU HSING AMERICAS, INC., a director of ARCTEK Industrial Co., Ltd., a director in Rui Sheng Industrial Co., Ltd., a director in ALLEGION FU HSING LIMITED, a director in Ziyong Hardware Products (Taichang) Co., Ltd., the Chairman of Arctek (Shanghai) Safety Protection Technology Co., Ltd., the Vice Chairman of Fortress Industrial Co., Ltd., a director in Fortress Door Control Product (Changshu) Co., Ltd., a director in Hundure Technology Co., Ltd., and the Chairman of H&C Econ Tech Engineering Co., Ltd.

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

Note 6: Is concurrently the General Manager of Arctek (Shanghai) Safety Protection Technology Co., Ltd., a supervisor in ARCTEK Industrial Co, Ltd., a director in Fortress Industrial Co., Ltd., a director in Fortress Door Control Product (Changshu) Co., Ltd., and a supervisor in Tong Hsing Enterprise Co., Ltd.

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

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

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

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

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

1. Information on directors and supervisors (2)

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

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

1. Information on directors and supervisors (3)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder	Note
Fu Xun Investment Co., Ltd.	CHANG, Jui-Pi	37.96%
	LIN, Tzu-Hsuan	33.02%
	CHANG, Shan	6.17%
	LIN, Tzu-Yang	19.75%
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	Qualification	Having at least 5 years working experiences and professional qualifications listed below*			Conditions of Independence*										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 department	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	
LIN, Jui-Chang		-	-	✓	-	-	-	-	✓	-	✓	-	✓	✓	-
CHEN, Chien-Kun		-	-	✓	-	-	-	-	✓	-	✓	✓	✓	✓	-
Representative of Fu Zhi Investment Development Co., Ltd.:		-	-	✓	-	-	-	-	✓	-	✓	✓	✓	-	-
CHU, Jung-Ho															

Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Hsuan	-	-	✓	-	-	-	-	✓	-	✓	-	✓	-	-	-
CHANG, Ling-Ling	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
CHEN, Yung-Chun	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1
Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	-	-	✓	-	-	-	-	✓	-	✓	-	✓	-	-	-
Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1

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

Criteria:

- (1) Neither an employee of the company nor of its affiliated enterprises
- (2) Neither a director nor a supervisor of the company nor of its affiliated enterprises (Exceptions apply to independent directors that directly and indirectly hold more than 50% or above of the voting shares of the company or its parent 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 person that is in the three categories mentioned above
- (5) Neither a director, supervisor, or employee of a corporate shareholder that indirectly holds more than 5% of the company’s total outstanding shares nor a director, supervisor, or employee of any of the top 5 major corporate shareholders
- (6) 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
- (7) Neither an individual professional nor an owner, partner, director (council member), supervisor, manager, or spouse of an sole proprietorship, partnership, corporation, or institution that provides operational, legal, financial, or accounting services to the company or its affiliated enterprises. Exceptions apply to members of the Remuneration Committee that shall carry out their duties in accordance with Article 7 of the

Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a
Company Whose Stock is Listed on the Stock Exchange or Traded Over The Counter

- (8) Not a second-degree relative or spouse of other directors
- (9) No matters related to Article 30 of the Company Act
- (10) Not 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 April 17, 2019

Title	Nationality	Name	Gender	Post Beginning Date (yyyy/mm/dd)	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Education & Experiences	Post in other company concurrently	Manager who is a spouse or a relative within two generations		
					Shares	Holding %	Shares	Holding %	Shares	Holding %			Title	Name	Relation
President	Taiwan R.O.C.	CHEN, Chien-Kun	Male	1994/01/01	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 1	-	-	-
Group President	Taiwan R.O.C	CHU, Jung-Ho	Male	2008/01/01	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University – EMBA	Note 2	-	-	-
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 3	-	-	-
Vice President	Taiwan R.O.C	CHANG, Jui-Pi	Female	2010/05/01	597,576	0.32%	1,624,978	0.86%	-	-	Ming Chuan University – International Trade	None	Director	LIN, Tzu-Hsuan	Mother-Son
Vice President	Taiwan R.O.C	WANG, Han-Ting	Male	2010/05/01	28,439	0.02%	-	-	-	-	National Cheng Kung University – Mechanical Engineering	Note 4	-	-	-

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	None	-	-	-
Director	Taiwan R.O.C	LIN, Tzu-Hsuan	Male	2014/04/01	775,191	0.41%					University of Technology, Sydney - MBA	Note 5	Vice President	CHANG, Jui-Pi	Mother-Son
Director	Taiwan R.O.C	CHU, Hung-Yang	Male	2014/09/10	23,354	0.01%					Fu Jen Catholic University – International Trade	None			
Chief Finance Officer	Taiwan R.O.C.	LI, Kuo-Wei	Male	2015/02/01	2,000	0.001%	-	-	-	-	National Chengchi University - Accounting	Note 6	-	-	-
Plant Manager	Taiwan R.O.C.	CHUNG, Hsuan-Tung	Male	2004/10/01	2,000	0.001%	-	-	-	-	Aletheia University – Industrial Management	None	-	-	-

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

Note 1: Is concurrently the President of the Company, the Chairman of Master United Investment Group Ltd., the Chairman of Formflex Enterprise Co., Ltd., the Chairman of Formflex Metal Industrial (Changshu) Co, Ltd., the Chairman of Ziyong Hardware Products (Taichang) Co., Ltd., a director in ARCTEK Industrial Co., Ltd., the Chairman of Rui Sheng Industrial Co., Ltd., a director of Arctek (Shanghai) Safety Protection Technology Co., Ltd., the President and also a director in Fortress Industrial Co., Ltd., the Chairman of Fortress Door Control Product (Changshu) Co., Ltd., and a director of Tong Hsing Enterprise Co., Ltd.

Note 2: Is concurrently the President of a business group in the company, the Chairman of FU HSING AMERICAS, INC., a director in ARCTEK Industrial Co., Ltd., a director in Rui Sheng Industrial Co., Ltd., a director in ALLEGION FU HSING LIMITED, a director in Allegion Fu Hsing Holdings, Ltd., a director in Ziyong Hardware Products (Taichang) Co., Ltd., the Chairman of Arctek (Shanghai) Safety Protection Technology Co., Ltd., the Vice Chairman of Fortress Industrial Co., Ltd., a director in Fortress Door Control Product (Changshu) Co., Ltd., a director in Hundure Technology Co., Ltd., and the Chairman of H&C Econ Tech Engineering Co., Ltd.

Note 3: Is concurrently a director in Ziyong Hardware Products (Taichang) Co., Ltd., a director in Formflex Metal Industrial (Changshu) Co., Ltd., a director in Fortune Industrial Ltd., a director in ChangShu Fortune Packing Material Co., Ltd., a director of Arctek (Shanghai) Safety Protection Technology Co., Ltd., a director in Fortress Door Control Product (Changshu) Co., Ltd., and a director in Tong Hsing

Enterprise Co., Ltd.

Note 4: Is concurrently the Senior Vice President of the Fu Hsing Americas, INC.

Note 5: Is concurrently the President of Arctek (Shanghai) Safety Protection Technology Co., Ltd., a supervisor in ARCTEK Industrial Co., Ltd., a director in Fortress Industrial Co., Ltd., a director in Fortress Door Control Products (Changshu) Co., Ltd., a supervisor in Tong Hsing Enterprise Co., Ltd., and a supervisor in Hundure Technology Co., Ltd.

Note 6: Is concurrently a supervisor in ARCTEK Industrial Co., Ltd., a supervisor in Rui Sheng Industrial Co., Ltd., a supervisor in Fortress Industrial Co., Ltd., a supervisor in Fortress Door Control Products (Changshu) Co., Ltd., a supervisor in Tong Hsing Enterprise Co., Ltd., and a supervisor in Hundure Technology Co., Ltd.

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

1. Remuneration paid to 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	companies under the consolidate	The Company	companies under the consolidate	The Company	companies under the consolidate	The Company	companies under the consolidate	The Company	companies under the consolidate	The Company	companies under the consolidate	The Company		All companies under the consolidated report		The Company	companies under the consolidate			
Chairman	Note 5																					
Director	Note 6																					
Director	Note 7																					
Director	Note 8	-	-	-	-	10,770	10,770	3,448	3,448	2.05%	2.05%	10,569	12,075	0	0	18,900	-	18,900	-	6.30%	6.52%	None
Director	Note 9																					
Independent Director	Note 10																					
Independent Director	Note 11																					
*Except for the above disclosure, remunerations paid to directors for providing services (such as service as a non full-time consultant etc.) to any of the company in the financial reports during the most current fiscal year: None																						

Note 1: Included travelling expense of \$252.
 Note 2: NIAT referred to the net earnings after tax of \$693,117 in 2018.
 Note 3: Included assigned business car expense \$1,167.
 Note 4: Was a reserve account for retirement benefits in 2018, which was not yet paid.
 Note 5: LIN, Jui-Chang
 Note 6: CHEN, Chien-Kun
 Note 7: CHU, Jung-Ho, representative of Fu Zhi Investment Co., Ltd.
 Note 8: Michael A.Hoer, representative of Fu Zhi Investment Development Co., Ltd.
 Note 9: Hong Cheng Investment Co., Ltd.
 Note 10: CHANG, Ling-Ling
 Note 11: CHEN, Yung-Chun

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 (Note 8)	All Companies in the Consolidated Report (Note 9) H	The Company (Note 8)	All Companies in the Consolidated Report (Note9)I
Less than NT\$2,000,000	LIN, Jui-Chang CHEN, Chien-Kun Representatives of Fu Zhi Investment Co., Ltd: CHU, Jung-Ho CHANG, Ling-Ling CHEN, Yung-Chun	LIN, Jui-Chang CHEN, Chien-Kun Representatives of Fu Zhi Investment Co., Ltd: CHU, Jung-Ho CHANG, Ling-Ling CHEN, Yung-Chun	CHANG, Ling-Ling CHEN, Yung-Chun	CHANG, Ling-Ling CHEN, Yung-Chun
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	Hong Cheng Investment Co., Ltd.	Hong Cheng Investment Co., Ltd.	Hong Cheng Investment Co., Ltd. Michael A.Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	Hong Cheng Investment Co., Ltd. Michael A.Hoer (representative of Fu Zhi Investment Development Co., Ltd.)
NT\$5,000,000 (including)~NT\$10,000,000 (excluding)	Michael A.Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer (representative of Fu Zhi Investment Development Co., Ltd.)	CHEN, Chien-Kun	CHEN, Chien-Kun
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	-	LIN, Jui-Chang CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.)	LIN, Jui-Chang CHU, Jung-Ho (representative of Fu Zhi Investment Development Co., Ltd.)
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-	-	-

NT\$30,000,000 (including)~NT\$50,000,000 (excluding)	-	-	-	-
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	7	7	7	7

2. Remuneration paid to supervisors

Unit: NTD1,000

Title	Name	Remuneration paid to supervisors						Summation of A, B and C to NIAT (%)		Remuneration received from investments in other subsidiaries
		Remuneration (A)		Compensation(B)		Business Incurred Fees (C)		(Note 2)		
		The Company	All Companies in the Consolidated Report	The Company	All Companies in the Consolidated Report	The Company	All Companies in the Consolidated Report	The Company	All Companies in the Consolidated Report	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing									
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	-	-	4,050	4,050	126	126	0.60%	0.60%	None
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan									
<p>Note 1: Included travelling expense of \$126.</p> <p>Note 2: NIAT referred to the net earnings after tax of \$693,117 thousand dollars in 2018.</p>										

Remuneration Range Table

Remuneration range for supervisors of the company	Name of Supervisor	
	The total of first three remunerations(A+B+C)	
	The Company	All Companies in the Consolidated Report
Less than NT\$2,000,000	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.)	LIN, Wen-Hsing (representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (representative of Fu Yuan Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Yuan Investment Co., Ltd.)
NT\$2,000,000 (including)~NT\$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	3

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 Consolidated Report	The Company	All Companies in the Consolidate d Report	The Company	All Companies in the Consolidated Report	The Company		All Companies in the Consolidated Report		The Company	All Companies in the Consolidated Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
President	CHEN, Chien-Kun	12,169	15,394	975	975	796	943	20,206	-	20,206	-	4.93%	5.41%	None
Group President	LIN, Teng-Tsai													
Group President	CHU, Jung-Ho													
Vice President	CHANG, Jui-Pi													
Vice President	WANG, Han-Ting													
<p>Note 1: Was a reserve account for retirement benefits in 2018, which was not yet paid.</p> <p>Note 2: Included assigned business car expense \$923 thousand dollars.</p> <p>Note 3: NIAT referred to the net earnings after tax of \$693,117 thousand dollars in 2018.</p>														

Remuneration Range Table

Remuneration range for President and Vice President of the company	Name of President and Vice President	
	The Company (Note 6)	All Companies under the Consolidated Report E (Note 7)
Below NT\$2,000,000	-	-
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	CHANG, Jui-Pi; WANG, Han-Ting	CHANG, Jui-Pi
NT\$5,000,000 (including)~NT\$10,000,000(excluding)	CHEN, Chien-Kun; LIN, Teng-Tsai; CHU, Jung-Ho	CHEN, Chien-Kun; LIN, Teng-Tsai; WANG, Han-Ting
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	CHU, Jung-Ho
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-
NT\$30,000,000 (including)~NT\$50,000,000 (excluding)	-	-
NT\$50,000,000 (including)~NT\$100,000,000 (excluding)	-	-
NT\$100,000,000 and above	-	-
Total	5	5

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

Fiscal Year 2018 / 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	-	24,890	24,890	3.59%
	Group President	CHU, Jung-Ho				
	Group President	LIN, Teng-Tsai				
	Vice President	CHANG, Jui-Pi				
	Vice President	WANG, Han-Ting				
	Director	LI, Chen-Hui				
	Director	CHU, Hung-Yang				
	Director	LIN, Tzu-Hsuan				
	Director	LIN, Shih-Huang				
	Plant Manager	CHUNG, Hsuan-Tung				
	Chief Finance Office	LI, Kuo-Wei				
<p>Note 1: Scope of manager type of rank is defined below following the regulations states on Correspondence Tai-Cai-Zheng-San-Zi:0920001301 issued on Mar. 27th, 2003.</p> <ol style="list-style-type: none"> (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 <p>Note 2: NIAT referred to the net earnings after tax of \$693,117 thousand dollars in 2018.</p>						

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

Title	Proportion of net profit distributed to the company's directors, supervisors, President and vice President in the 2018 company report and consolidated report .	Proportion of net profit distributed to the company's directors, supervisors, President and Vice President in the 2017 company report and consolidated report .
Directors	6.57%	7.66%
Supervisors	0.60%	0.67%
President & Vice President	5.41%	6.71%

According to the Clause 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.

Total remunerations paid to the company's Chairman, President, and Vice President includes the basic salary, allowance for additional duty and meal. The strategy to set and paid the remuneration is based on the Company's "Manners to manager employee post structure and salary" and also takes into considerations of the remuneration level in this industry, the scope of power and responsibility, contribution made to achieve the Company's operational goal. The salary is calculated based on education background, work experiences, work performance, contribution level, and seniority. A year-end bonus is distributed based on the company's operation performance of the year.

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

(4) Corporate governance practices

1. Information relating to the Operation of Board of Directors

During the fiscal year 2018, 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 Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	4	0	67%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: CHU, Jung-Ho	6	0	100%	
Director	Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Hsuan	5	0	83%	
Independent Director	CHANG, Ling-Ling	6	0	100%	
Independent Director	CHEN, Yung-Chun	6	0	100%	

Other things should be noted:

1. According to Article 14-3 of the Securities and Exchange Act, if an independent director has a dissenting opinion or qualifying opinion and such opinion was recorded or taken down as written statements, the date of Board of Directors Meeting, term, all independent directors' opinions in the resolutions and the company's reaction to the independent's opinions should be addressed: Not applicable.

Date of the Meeting in 2018 (mm/dd/yyyy)	Important Resolution	Opinion of the Independent Directors	React to Independent Director's Opinions
01/29/2018	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2017"	Approved	Not Applicable
	To review "2017 Remuneration Paid to Managers and Employees"	Approved	Not Applicable
03/23/2018	To adopt the 2107 business report and financial statements	Approved	Not Applicable
	To resolve on the 2017 earnings distribution	Approved	Not Applicable
05/11/2018	Proposal to lend funds to subsidiary, Tong Xing	Approved	Not Applicable
08/10/2018	To review the proposal to distribute 2018 Mid-Autumn Festival holiday bonus in relation to Chairman and other mangers	Approved	Not Applicable
11/09/2018	Proposal to establish "Rules for Corporate Governance Practices"	Approved	Not Applicable

	Proposal to establish “Principles to evaluate the performance of Board of Directors”	Approved	Not Applicable
	Report of the execution effects of CSR Committee	Approved	Not Applicable
12/21/2018	Proposal to purchase liability insurance for the Company’s Directors and Supervisors	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 LIU, 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, besides taking self-advancing courses, such as to take courses and seminars held by UBS, Securities & Futures Institute, Taiwan Academy of Banking and Finance, Accounting Research and Development Foundation, and BCSD Taiwan, also received trainings and courses arranged by the Company in 2018 in order to keep absorbing new knowledge and achieve better results in interactions and sharing. The total directors’ training hours in 2018 were 96 hours. Besides, the Company also entrusted Taiwan Corporate Governance Associate to open courses including “How can directors and supervisors to supervise and direct your company to do well risk management and crisis management” and “Directors and Supervisors’ Duty and Responsibility under the Securities and Exchange Act”.

2. To promote information transparency: according to Article 14-6 of the Securities and Exchange Act, Remuneration Committee was established and its operation and administration standard was added in the company’s internal control system. Upholding the spirits of transparent operation and shareholder’s right maintenance, the Company created the sections of “Shareholder’s Special Column”, “Social Responsibilities”, and “Corporate Governance” on the Company’s website to provide real-time information to the public. In addition, institutional investor’s conferences are regularly planned and held too.

3. Liability insurance for directors and supervisors: for protecting Fu Hsing directors and supervisor from risks while they are in the mission to carry out their duties, the Company, started from 2018, purchased liability insurance for its directors and supervisors. The Company will regularly inspect the contents of such liability insurance to ensure the maximum amount of coverage and covering extents can meet the actual demands, and the review will be reported to board of directors.

4. Implementation status: Implemented in accordance with the Board of Director’s Rules of Procedures; and the implementation were good.

4. The implementation of board member diversification:

Diversified Core Skills	Basic Structure	Experiences in Related Industry	Professional Skills
-------------------------	-----------------	---------------------------------	---------------------

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

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

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

During the fiscal year 2018, 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.: LIN, Wen-Hsing	6	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	6	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIU, Ju-Shan	6	100%	

1. Composition and duty of supervisors:

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

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

among the supervisors and company staffs and shareholders.

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

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

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

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

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

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
insiders from utilizing un-disclosed information to purchase/sell securities?			transactions.	
3. Composition and duties of Board of Directors				
A. Whether the company sets up rules for the diversity of the members of Board of Director and whether the rules are truly implemented?	✓		A.	No significant divergence
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?		✓	1. The company has made a plan for the diversification of board members and has been actually carried out the plan in the Board of Directors' Meeting. The nomination and election of the Company's Board members all followed the rules stated on the Company's Articles of Incorporation and took candidate's educational and career background into consideration to ensure the diversity and independency of the Company's Board members.	
C. Whether the company sets up Board of Director's performance evaluation rules and method and carries out the evaluations regularly each year?	✓		2. The board members elected this term included - a female member;	
D. Whether the company periodically evaluates the independence of the company's certifying accountant?	✓		- LIN, Jui-Chang, CHEN, Chien-Kun, CHU, Jung-Ho, and LIN, Tzu-Hsuan: are good at operation & management, lead & decision making, industry knowledge and operational judgment; - LIN, Jui-Chang and Michael A. Hoer: have made contributions to social care including; - LIN, Jui-Chang, CHU, Jung-Ho, Michael A. Hoer, and LIN, Tzu-Hsuan: are having international outlook;	

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>- 2 independent directors are good at finance, accounting and other associated affairs.</p> <p>3. The Company's Board of Directors currently is composed of 7 directors, including 5 general directors and 2 independent directors. The members have rich experiences and professions in finance and accounting, business, management and others. Among all the directors, 57% of the directors are company's employees, 29% of the directors are independent directors and 14% of directors are female. 2 independent directors have been served as independent directors for less than 3 years, 6 directors are in the age between 61-70 years old, and 1 is under 60 years old. The Company pays special attention on gender equity and has set the target to increase the female director to more than 10% of total number of directors. It is expected that in 2020 when the Company re-elects directors and supervisors, the achievement of such goal will be maintained.</p> <p>4. Policies in relation to the diversity of the board members are disclosed on the Company's website.</p> <p>B. The company has not yet set up other similar kinds of functional committee, but such is under planning.</p>	

List of <u>Assessments</u>	Implementation Status (<u>Note 1</u>)			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation</u>	
			<p>C. The company has established Board of Director’s performance evaluation rules and method and each year will evaluate directors’ performance based on the rules. The evaluation results will be disclosed on the Company’s Website.</p> <p>D.</p> <ol style="list-style-type: none"> 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 the CPAs”, the company evaluates the independence of certifying accountants regularly each year. 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 25, 2019. <ol style="list-style-type: none"> (1) Obtain accountant’s independence statement (2) Review years of continuing implementation as a certifying accountant in the company (3) Request certifying accountant to fill out a competency questionnaire. The questionnaire results 	

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>are evaluated and summarized.</p> <ul style="list-style-type: none"> ✓ Whether the certifying accountant is a director of the Company or in its affiliated company? ✓ Whether the certifying accountant is a shareholder of the Company or its affiliated company? ✓ Whether the certifying accountant receives remunerations from the Company or its affiliated company? ✓ 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 	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
			independency requirement stated in the No.10 of the “Norm of Professional Ethics of the Certified Public Accountant”?	
4. Whether the Company establishes a specific (part-time) unit or personnel to be responsible for corporate governance related affairs (including but not limited to provide information required for directors/supervisors to execute business issues, provide meeting minutes of the Board of Directors’ Meeting or Shareholder’s Meeting in accordance with laws and regulations, to handle business registration or amend business registration, and to make meeting minutes of the Board of Directors’ Meeting and Shareholders’ Meeting)?	✓		<p>The Company has appointed CFO, LI Kuo-Wei, who has the CPA qualification, to serve as the Company’s Governance supervisor to provide directors and supervisors with necessary information for executing their duties, assist supervisors and directors to be in compliance with the laws and regulations, and to handle Board of Directors meeting and Shareholders’ Meeting related affairs in accordance with laws and regulations.</p> <p>The execution of governance duty in 2018 as below:</p> <ol style="list-style-type: none"> 1. Assisted independent directors and general directors to execute their duties, provided them with necessary information and arranged training sessions for directors: <ol style="list-style-type: none"> (1) Notify board members related amendments and developments in light of the Company’s operation area and corporate governance laws and regulations; (2) 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. 	No significant divergence

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
			<p>(3) Assist to arrange meetings, when independent directors have the need to meet with internal auditing supervisor or certifying accountants to understand the company's financial affairs according to the rules for corporate governance practices.</p> <p>(4) Plan and arrange annual educational courses for general directors and independent directors based on the Company's industry characteristics and each director's education background and work experiences.</p> <p>2. Provided assistance in handling the procedures in the Board of Directors' Meeting and Shareholders' Meeting and evaluated resolution compliance issues:</p> <p>(1) Report the operation situation of the Company's corporate governance to board of directors, independent directors, audit committee and supervisors and confirm whether the convention of Board of Directors' Meeting and Shareholders' Meeting meet related regulations and corporate governance rules.</p> <p>(2) 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>	

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>(3) Inspect and review the disclosure of important resolutions made in the Board Meeting and ensure the legality and accuracy of the such material information disclosure's contents to make sure information equality for investor transactions.</p> <p>3. Maintained the relationships with investors: when it is necessary, help arrange communication between directors and major shareholders, institutional investors, or general shareholders, so that investors are able to obtain sufficient information to evaluate the Company's reasonable market value and maintain shareholder's right.</p> <p>4. 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>5. Complete all the pre-meeting disclosures in relation to Shareholders' Meeting, compile meeting notification in, handbook, and minutes book within regulated time period, and handle the registration affairs in relation to the amendments of the Articles of Incorporation or Re-election of directors.</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
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 website, assigning a staff to collect and disclose the company's information, truly carry out spokesman system, put road show information and contents on the company's website, etc...)	✓		B. The company has assigned a staff to collect and disclose the company's information and truly carries out the spokesman system.	
8. Whether the company has other important information that might help	✓		1、 The company encourages employees to communicate directly with 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>	
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>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 investors and interested parties with information that might affect their decision.</p> <p>(2) The company's directors and supervisors attend educational training with a fixed schedule.</p> <p>(3) Risk management policy and the implementation of risk measurement: Not applicable (this is for securities brokers).</p> <p>(4) Consumer protection or the implementation of customer policy: Not applicable (this is for securities brokers).</p> <p>(5) The company has purchased liability insurances for directors and supervisors.</p>	
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.)				

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
To explain the improvements in 2018 based on the result of the most current year's corporate governance assessments as below:				
1. The purchase of liability insurance for directors and supervisors:				
After assessments, the Company have purchased liability insurance for directors and supervisors from Hotai Insurance Co., Ltd. The Insured time period started from Dec. 25, 2018 to Dec. 25, 2019 and the insurance value was US\$ 3million.				
2. Enhance the Company's Corporate Governance Practices:				
The Company has appointed a corporate governance supervisor to establish rules for corporate governance practices, principles to evaluate the performance of board of directors and the diversification policy for board of directors. The implementation situation and performance evaluation results were also disclosed on the Company's website.				
3. The promotion of corporate social responsibility:				
The Company has set up CSR strategy, obtained approval from the board of directors in relation to the specific implementation situation of the Company's "CSR committee" and the execution plan for the following year and disclosed such information on the Company's website.				
4. The communication between interested parties:				
The communication channel through the Company's website has been straightened. The Company also properly responded to interested parties with important CSR topics that they were interested in.				
5. Advanced training for directors and supervisors:				
The Company actually assisted all directors and supervisors to complete the required learning hours through personal attending in the training or via on-line training.				
6. Road-shows:				
The Company attended two road-shows held by securities broker in 2018 and the dates and related information were disclosed on the Company's website.				

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

(1) Members of the Remuneration Committee

Identity	Name	Condition			Conditions of Independence (Note 2)								Number of concurrent duties in other public companies as independent directors	Remarks (Note 3)
		Having at least 5 years working experiences and professional qualifications listed below			1	2	3	4	5	6	7	8		
		At least a lecturer from public or private colleges in business, legal affairs, finance, accounting and other business related department	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.										
Other	CHEN, Chin-Chi		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	CHANG, Ling-Ling		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	CHEN, Yung-Chun			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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) Neither a director or a supervisor of the company nor of its affiliated enterprises (Exceptions apply to independent directors that directly and indirectly hold more than over 50% of the voting shares of the company or its parent 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 person that is in the three categories mentioned above.
 (5) Neither a director, supervisor, or employee of a corporate shareholder that indirectly holds more than 5% of the company's total outstanding shares nor a director, supervisor, or employee of any of the top 5 major corporate shareholders.
 (6) 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.
 (7) Neither an individual professional nor an owner, partner, director (council member), supervisor, manager, or spouse of an sole proprietorship, partnership, corporation, or institution that provides operational, legal, financial, or accounting services to the company or its affiliated enterprises. Exceptions apply to members of the Remuneration Committee that shall carry out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over The Counter.
 (8) No matters related to Article 30 of the Company Act.
 Note 3: If the member 's identity is a director, please also clarify whether the member meets the regulation stated in Article 6-5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"

(2) The Operation of the Remuneration Committee.

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

2. Current committee member's term of office: starting from Aug. 7, 2017 to Jun. 18, 2020. In current fiscal year, 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	2	0	100%	-
Member	CHEN, Yung-Chun	2	0	100%	-

Other matters that should be noted:

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

Date of the Meeting of Remuneration Committee/Term & Date (mm/dd/yyyy)	Proposals & Follow-ups	Resolution	How the Company cope with the opinion submitted by the Remuneration Committee
Term 3 / 2 nd Time (01/29/2018)	Review of “ 2017 Total Remuneration paid to employees and the remuneration paid to directors and supervisors”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors
	Review of “2017 Remuneration paid to managers”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors
Term 3 / 3 rd Time (08/10/2018)	Review of “2018 Mid-Autumn Festival holiday bonus in relation to Chairman and managers”	Approved by all committee members	Proposed in the Board Meeting and approved by all the presenting directors

6. The implementation of corporate social responsibility

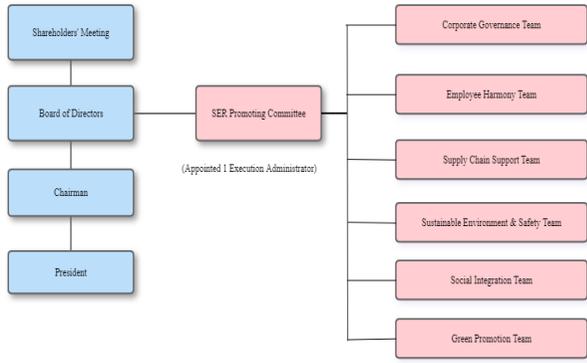
List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and
	Yes	No	Summary & Explanation (Note 2)	Reasons of the Divergence
<p>1. Implementation of Corporate Governance</p> <p>A. Whether the company establishes corporate social responsibility policy or system and reviews the efficacy of such policy or system?</p> <p>B. Whether the company regularly holds education training on the area of social responsibility?</p> <p>C. 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?</p> <p>D. Whether the company establishes reasonable remuneration and salary policy, integrates employee's performance evaluation system with the company's CSR policy, and sets up effective and explicit reward and punishment system?</p> <p>E. Whether the Company establishes proper corporate governance</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>A. The company has set up policies for corporate social responsibilities and, meanwhile, established "Declaration of Corporate Social and Environment Responsibility (SER)" and "Corporate Social and Environment Responsibility (SER) Execution Booklet", which publicized the information on the Company's internal and external websites and other external related websites for review by related interested parties. The Company also voluntarily share information and communicate with related interested parties through website, mail box and direct lines. In addition, we disclose important information regularly on our annual operation report and CSR report and irregularly make such disclosure on periodicals or news. We have set up diversified and effective communication channels to collect responses and comments whenever necessary and reflect such responses and comments on the Company's strategy and policies in order to establish a mutually beneficial relationship with interested parties.</p> <p>B. The company conducts SER-related education training per year. Below lists our education trainings that were held in 2018:</p>	<p>No significant divergence</p>

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
<p>structure to make and review CSR related policies, system, or management goals?</p> <p>F. Whether the Company periodically discloses specific CSR related promotion plans and the implementation results?</p>			<p>1. Training for new employees and also annual “Re-Training session on SER topic” for all employees in the plant. Date of Training: 06/04/2018. Number of employees received training: 908 persons. Total training hour: 1 hour.</p> <p>2. “Fu Hsing superintendents SER annual retraining session” was held in the light of all superintendents. Date of Training: 07/18/2018. Total number of superintendents received training: 54 persons. Total training hour: 1.5 hours.</p> <p>3. “Annual AEO retraining session for Supply Chain Safety” was held in the light of all employees in the plant. Date of Training: 06/04/2018. Number of persons received training:908 persons. Total training hour: 1 hour.</p> <p>4. In light of specific workers (such as shipping team, logistic section, mail sending/receiving personnel of the Management Dept., etc.):</p> <p>(1) “Supply Chain Safety Key Personnel Education Training – (Product Safety & Cargo Safety) Date of Training: 02/12/2018. Number of persons received training: 8 persons. Total training hour: 0.5 hour.</p> <p>(2) “Supply Chain Safety Key Personnel Education Training – (Product Safety & Cargo Safety & Information Safety) Date of</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>Training: 06/25/2018. Number of persons received training: 11 persons. Total training hour: 1 hour.</p> <p>(3) “Supply Chain Safety Key Personnel Education Training – (including Information Safety) Date of Training: 06/26/2018. Number of persons received training: 6 persons. Total training hour: 1 hour.</p> <p>(4) “Supply Chain Safety Key Personnel Education Training – (including information Safety & identification on suspicious packages) Date of Training: 06/28/2018. Number of persons received training: 7 persons. Total training hour: 1 hour.</p> <p>C. The company established an official SER (Social & Environmental Responsibility) Promoting Committee in December 2013. The Committee is under the jurisdiction of the Company’s board of directors and is divided into six teams that are responsible for corporate governance, employee harmony, supply chain support, sustainable environment and safety, society integration, and green promotion respectively. One execution administrator was appointed to lead the operation of afore-mentioned teams. Besides compiling the SER execution booklet and SER acknowledgement, as well as convening related meetings (in every four month), the committee also is</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and
	Yes	No	Summary & Explanation (Note 2)	Reasons of the Divergence
			<p>responsible for the planning, promotion, inspection, review, and improvement of 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>D. Fu Hsing's remuneration and work conditions are fully in compliance with local labor law and standards made by the International Bill of Human Rights. Besides, Fu Hsing does its best to assure all the employees having a stabilized salary income and based on a certain basis finds ways to promote and encourage employees to challenge for</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and
	Yes	No	Summary & Explanation (Note 2)	Reasons of the Divergence
			<p>higher salaries and remunerations.</p> <p>The overall pay includes salary, rewards and employee compensation.</p> <p>Employee's salary is determined by his education background, past experiences, individual's professional ability, and work performance.</p> <p>The company never determines employees' salary by their gender, religion, racial, nationality, political party, etc...</p> <p>Fu Hsing's "Work Practices" already includes the company's reward and disciplinary system. All the new employees shall be distributed a copy of "Work Practices" when they first report to the company.</p> <p>E. The Company deems the Shareholders' Meeting as the Company's highest organ of power, which is supported by the directors of the boards led by the Chairman to execute and oversee all the businesses. In Dec. 2013, the company established an official SER (Social & Environmental Responsibility) Promoting Committee, which is under the jurisdiction of the Company's board of directors and is divided into six teams that are responsible for corporate governance, employee harmony, supply chain support, sustainable environment and safety, society integration, and green promotion respectively. One execution administrator was appointed to lead the operation of afore-mentioned teams. Besides compiling the SER execution booklet and SER</p>	

List of Assessments	Implementation Status (Note 1)		Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	
			<p>acknowledgement, as well as convening related meetings (in every four month), the committee also is responsible for the planning, promotion, inspection, review, and improvement of 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>  <pre> graph TD SM[Shareholders' Meeting] --- BD[Board of Directors] BD --- CH[Chairman] CH --- PR[President] BD --- SERP[SER Promoting Committee (Appointed 1 Execution Administrator)] SERP --- CGT[Corporate Governance Team] SERP --- EHT[Employee Harmony Team] SERP --- SCSST[Supply Chain Support Team] SERP --- SEST[Sustainable Environment & Safety Team] SERP --- SIT[Social Integration Team] SERP --- GPT[Green Promotion Team] </pre> <p>The associated organizational structure and post functions are stated below:</p> <p>(1) to plan as a whole all issues in relation to the Company's social</p>

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>responsibilities;</p> <p>(2) to review the Company's CSR policies;</p> <p>(3) to serve as a bridge to connect all interested parties with the company and to reflect opinions expressed by interested parties;</p> <p>(4) to integrate the Company's resources in order to care for the vulnerable groups, return to the society, and do well the Company's social responsibilities.</p> <p>(5) To report to the board of directors about the execution situation and properly make public the Company's operational direction and performance results.</p> <p>F. The specific CSR related promotion plan and execution results.</p> <p>(1) <u>The 16th Fu Hsing Cup National College & Youngth Tennis Competition</u></p> <p>The 16th Fu Hsing Cup was held from 02/23/2018~03/01/2018 in Kaohsiung City Zhongshan Tennis Court. The competition team types included: elementary male, elementary female, junior high school male, junior high school female, high school male, high school female, college public male, college public female,</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>college male, and college female. We invited 1,465 players to attend the competition and enjoy the fun of playing tennis.</p> <p>Ever since its establishment, Fu Hsing Cup has become the largest-scale tennis competition in the nation. Each year, the participating players reached 1,400 persons. And has become the most important competition for discovering new tennis talents.</p> <p>(2) <u>TPGA Challenge Tour & Three Bond TPGA</u></p> <p>For promoting golf activities, the Company again in 2018 sponsored competitions held by The PGA of Taiwan. In the first half of 2018, we assisted to hold the “TPGA Challenge Tour (05/29/2018~05/30/2018)” and then helped to hold “Three Bond TPGA (09/04/2018~09/06/2018)” in the 2nd half of 2018, and sponsored the related green fees for attending players and competition rewards. There were 167 professional players and 23 amateur players to participate in these two competitions. We hope through such supports, players can be more freely to enjoy and perform well in the competitions. In the other way, through such supports, we can also discover and promote young golf players to further</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			<p>advance into international stage.</p> <p>(3) Little Tree School Garden’s Concomitant Study and Guide Project for children in vulnerable families</p> <p>Since 2016, the Company has been working with Kangshan Social Welfare Center to establish and keep the project of “Little Tree School Garden Concomitant Study and Guide Project for children in vulnerable families” to help vulnerable families and protected cases involving including single-parent, low income families, grand-parenting families, new inhabitant families and aboriginal families, in Kangshan area. Junior high school students in such families are able to receive after-class guide (every Tuesday ~ Friday, 7:00pm~9:00pm), so as to promote learning achievements of students in Kangshan area’s high-risk families.</p> <p>The Little Tree School Garden Project has been continued and going into the 13th year. The project has provided concomitant study for 251 students. In 2018, there were 13 students attended in this project. Many students that have received the support from this project remembered and appreciated the help and returned to the School Garden as a</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	Reasons of the Divergence
			<p>counseling teacher here and shared their own growing-up stories, kept accompanying these students to study and grow year after year. The Little Tree School Garden has also grown into a warm and big family.</p> <p>(4) “LaLaLa I love singing” parent-child welfare concert</p> <p>In the summer of 2018, the Company worked with Wind Music to hold the “LaLaLa I love singing” parent-child welfare concert, planned by Kim Hsieh, the popular parent-child music production champion and the family kid music producer. In addition to sponsor all the expenses of this welfare concert, the Company also made extra cash donations. Along with funding of the ticket sales, there were a total of NT\$300,000 donated to Eden Social Welfare Foundation to help slow-flying angels to grow and provide supports to a non-stop early therapy course.</p> <p>Besides, the company also gave out tickets and invited employee’s children, social welfare institutions and Eden Social Welfare Parent-Child Group to attend in the concert.</p> <p>With all other caring audiences, who paid to participate, there were nearly 800 passionate friends, young and old,</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>crowded the Kaohsiung City Dadong Arts Center at the day.</p> <p>In the path of returning to the society, rather than only giving out cash, Taiwan Fu Hsing wants to personally participate in these events and bring kids to attend such art activities and spread a seed of art in their hearts. We hope the seed of art and love, when it grows, is able to become a kind of courage for kids to run and fly far and high.</p> <p>(5) Mituo coastal clean-up activity</p> <p>On November 10, 2018 at the beach of Mituo, there was a coastal clean-up activity. This was the six continuous years Taiwan Fu Hsing held the activity. Every year, there were nearly 100 colleagues, their families, and all other friends of Fu Hsing participated in the event. Under the sun in the heat, people really put out energy for cleaning trashes like can and bottles, Styrofoam, fishing nets, tires, plastic bags, etc...on the beach side. During the day, 350kg trashes were removed.</p> <p>(6) “Weight-Reduce for Love – in response to the activity of “send a book back to hometown”</p> <p>In years, the Company provided special weight-reduction training for employees, who have BMI>24. In 2018, the</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>Company even added another reward for “fat-losing master” to encourage colleagues to control body fat and maintain a healthy status.</p> <p>The weight-reduction for love activity continued to give out the reward as previous years. The Company’s donation was directly linking to the result of total weight reduced. This year, 47 colleagues participated in the weight-reduction competition and reduced a total weight of 122.2 kg and 4.3% body fat. Hence, the Company invited TaKao Books to prepare more than 400 new books. Our caring-for-health colleagues chose 150 books for children or for youth together and donated to Kangshan Cultural Center in person to transform our weight into kids’ spiritual food.</p>	
<p>2. Development for Environmental Sustainability</p> <p>A. Whether the company devotes to enhancing the utilization efficiency of all the resources and adopts recycled materials that cause less impact to the environment?</p> <p>B. Whether the company establishes a proper environment management system based on the industry characteristics?</p>	<p>✓</p> <p>✓</p>		<p>A. The company considers risk control factors for the environment based on ISO14001 environment management system and uses this to establish improvement goal and management policies in order to continuously make improvements. The company devotes to continuously promoting the execution efficacy on promoting resources utilization efficiency:</p> <ol style="list-style-type: none"> 1. Water conservation proposal: a continuous execution in reducing water for cleaning purpose during manufacturing procedures and replacing water purifying facility to reduce water usage. As for the water used for the whole plant (domestic + manufacturing procedures) in 2018 was reduced about 10.18% comparing to 2017. 2. Energy saving proposal: the execution includes replacing old air compressor with more eco-friendly models. 3. Alternative fuel proposal: modify manufacturing process to reduce 	No significant divergence

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
C. Whether the company notices changing weather's impact on the company's operation activities and investigates greenhouse gas evaluation, sets up strategies to save energy, reduce carbon and greenhouse gas production?	✓		<p>the use of boiler and instead to support by burning natural gas in order to reduce impact to the environment.</p> <p>4. Wastage reduction proposal: enhance the awareness of resources recycle to prevent wastes and carry out the concept of "no discards while there is any recycling value". The goal was 100% achieved in 2018.</p> <p>B. The company promoted the license renewal process of Environmental Protection Promotion System, ISO 14001:2015, and received the renewed version of certifications successfully.</p> <p>C. The company has a environmental protection strategy that connects to the concepts of saving energy and spirits of green house gas reduction:</p> <ol style="list-style-type: none"> 1. To effectively operate the company's environment management system, truly carry out environment management, pollution prevention and control system based on the spirit of continuously improvement, so as to reduce environmental impacts. 2. To strengthen the improvements on manufacturing procedures, intensify the control on pollution prevention facility's work procedures, periodically exam work procedures as environmental protection regulation requested and make sure the regulations are met. 3. To save energy and reduce carbon production. Resources are recycled and re-utilized to reduce wastes of useful resources and solidify pollution prevention system. 4. To strengthen education training and promote all employees' environmental awareness in order to fulfill our responsibility to the environment. 5. To review and examine greenhouse gas situation according to the Greenhouse gas reduction and management act and greenhouse gas inventory report management principle by the Environmental Protection Administration of the Executive Yuan, R.O.C. and voluntarily disclose the result in the Company's CSR report. In 2018, due to the increase of production, the greenhouse emissions was 6,883 tons Co_{2e}/year, which was higher than 2017 and yet was reduced about 2.2% in the sense of Co₂ emissions while was comparing to 7,040 tons Co_{2e}/year in 2016. 6. The Company planned to promote the ISO 14064 certification in 2019 and more effectively disclose the green gas emission statistics with more public creditability. 	
3. The Care for Social Welfare				No significant divergence

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	<u>Reasons of the Divergence</u>
A. Whether the company makes related management policy and procedures according to related laws and International Bill of Human Rights?	✓		<p>A. 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.</p> <p>B. The company has already established employee’s complaint mechanism, which included employee’s opinion box, external email system and complaint hot line. The complaint hot line is directly managed by the superintendents of the Administration Department and Legal Affairs Department respectively.</p> <p>C. The company sets up a 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, periodically handles education trainings on labor safety and health in order to ensure providing a safe and healthy environment and a continuous improvement mechanism. The following showed the execution results in the light of the Company’s efforts on promoting labor’s safety and hygiene.</p> <p>(1) Monitor on labor’s work environment: to monitor on-site environment</p>	No significant divergence
B. Whether the company constructs complaint mechanism and channels for employees and properly handle employee’s complaints?	✓			
C. Whether the company provides a safe and healthy work environment to employees and regularly holds employee’s’ safety and health education training?	✓			
D. Whether the company builds a regular communication mechanism with employees and notifies employees about operational changes that might be having significant influences on the company?	✓			
E. Whether the company establishes effective professional skill development training plans for employees?	✓			
F. Whether the company establishes policies that are able to properly reflect the company’s operation performance or achievements on remunerations paid to employees?	✓			
G. Whether the company develops related consumer rights protection	✓			

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>policy and complaint procedures in the light of R&D, procurement, production, work, and service procedures?</p> <p>H. Whether the company follows regulations and international standards to market and label the company's products and services?</p> <p>I. Whether the company assesses supplier's past record to see if the supplier has bad history in influencing the environment and the society before the company takes the supplier?</p> <p>J. Whether the company, while signing supplier's contract with major suppliers, includes a provision requesting suppliers not to violate the company's social responsibility or cause any significant impacts to the environment or the society, and clearly stating that if suppliers breach the provision, the company may terminate or cease the contract at any time?</p>	<p>✓</p>	<p>✓</p>	<p>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.</p> <p>(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 2018, there were found 281 flaws, which were all corrected and improved.</p> <p>(3) Improvement of special projects: In 2018, the Company carried out an overall safety inspection on all punching and shearing machines in the plant, added safety protection to small size punching molds. At the end of 2018, there were in total 206 sets mold completed protection upgrades.</p> <p>(4) Professional license: The Company implemented the management system of professional license. Employees without associated license were unable to operate certain machinery. The following table showed number of licenses obtained by our employees in Fu Hsing plant:</p> <table border="1" style="width: 100%; background-color: #008080; color: white;"> <tr> <td style="text-align: left;">Licenses (in professions)</td> <td style="text-align: right;">Total (in numbers)</td> </tr> </table>	Licenses (in professions)	Total (in numbers)	<p>No significant divergence</p>
Licenses (in professions)	Total (in numbers)					

List of Assessments	Implementation Status (Note 1)		Summary & Explanation (Note 2)	Divergence from the regulated Best Practices and Reasons of the Divergence																																		
	Yes	No																																				
			<table border="1"> <tr> <td>Forklift operator (more than 1tons)</td> <td>59</td> </tr> <tr> <td>Acetylene welding and sort operations</td> <td>8</td> </tr> <tr> <td>Operation of small size boiler</td> <td>1</td> </tr> <tr> <td>Operation of Grade C boiler</td> <td>2</td> </tr> <tr> <td>Grade A Labor safety and hygiene mgmt</td> <td>2</td> </tr> <tr> <td>Grade A Labor safety and hygiene supervisor</td> <td>6</td> </tr> <tr> <td>Stationary Crane hoisting operator >5 tons</td> <td>2</td> </tr> <tr> <td>Stationary Crane hanging operator > 3 tons</td> <td>21</td> </tr> <tr> <td>Stationary Crane hanging operator < 3 tons</td> <td>46</td> </tr> <tr> <td>Hanging operation</td> <td>19</td> </tr> <tr> <td>Organic solvent supervisor</td> <td>4</td> </tr> <tr> <td>Fire prevention personnel</td> <td>1</td> </tr> <tr> <td>Stationary crane operation – overhead type – operate from the ground</td> <td>23</td> </tr> <tr> <td>Non-destructive inspector – Penetrant testing</td> <td>1</td> </tr> <tr> <td>Emergency care personnel</td> <td>39</td> </tr> <tr> <td>Construction frame assembly supervisor</td> <td>1</td> </tr> <tr> <td>Specific chemical matters handling supervisor</td> <td>9</td> </tr> </table>	Forklift operator (more than 1tons)	59	Acetylene welding and sort operations	8	Operation of small size boiler	1	Operation of Grade C boiler	2	Grade A Labor safety and hygiene mgmt	2	Grade A Labor safety and hygiene supervisor	6	Stationary Crane hoisting operator >5 tons	2	Stationary Crane hanging operator > 3 tons	21	Stationary Crane hanging operator < 3 tons	46	Hanging operation	19	Organic solvent supervisor	4	Fire prevention personnel	1	Stationary crane operation – overhead type – operate from the ground	23	Non-destructive inspector – Penetrant testing	1	Emergency care personnel	39	Construction frame assembly supervisor	1	Specific chemical matters handling supervisor	9	No significant divergence
Forklift operator (more than 1tons)	59																																					
Acetylene welding and sort operations	8																																					
Operation of small size boiler	1																																					
Operation of Grade C boiler	2																																					
Grade A Labor safety and hygiene mgmt	2																																					
Grade A Labor safety and hygiene supervisor	6																																					
Stationary Crane hoisting operator >5 tons	2																																					
Stationary Crane hanging operator > 3 tons	21																																					
Stationary Crane hanging operator < 3 tons	46																																					
Hanging operation	19																																					
Organic solvent supervisor	4																																					
Fire prevention personnel	1																																					
Stationary crane operation – overhead type – operate from the ground	23																																					
Non-destructive inspector – Penetrant testing	1																																					
Emergency care personnel	39																																					
Construction frame assembly supervisor	1																																					
Specific chemical matters handling supervisor	9																																					

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence														
	Yes	No	Summary & Explanation (Note 2)															
			<table border="1"> <tr> <td>Dust work supervisor</td> <td>7</td> </tr> <tr> <td>Oxygen-deficient work supervisor</td> <td>3</td> </tr> <tr> <td>Specialized equipment operator for use with high-pressure gas</td> <td>3</td> </tr> <tr> <td>High pressure gas type supervisor</td> <td>1</td> </tr> <tr> <td>On-site safety and hygiene inspector</td> <td>7</td> </tr> <tr> <td>Labor safety and hygiene personnel</td> <td>4</td> </tr> <tr> <td>Labor health service nursing staff</td> <td>2</td> </tr> </table> <p>(5) Employee's general health inspection and special health check: we mapped out special hazardous zones in the plant. Employees in such special zones were requested to carry out special health inspection. The plant nurse then summarized and determined the health inspection results and administered by levels.</p> <p>D. (1) The company convenes a monthly morning meeting that requests the participation of all the Fu Hsing employees on every first week's Monday morning each month. During the morning meeting, the management can make important announcements, such as the company's operation status and major issues, to all the employees.</p> <p>(2) The company also uses meetings at all levels such as monthly</p>	Dust work supervisor	7	Oxygen-deficient work supervisor	3	Specialized equipment operator for use with high-pressure gas	3	High pressure gas type supervisor	1	On-site safety and hygiene inspector	7	Labor safety and hygiene personnel	4	Labor health service nursing staff	2	
Dust work supervisor	7																	
Oxygen-deficient work supervisor	3																	
Specialized equipment operator for use with high-pressure gas	3																	
High pressure gas type supervisor	1																	
On-site safety and hygiene inspector	7																	
Labor safety and hygiene personnel	4																	
Labor health service nursing staff	2																	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>operation meeting, weekly factory level meetings, weekly department morning meetings to pass down operation related information to all the levels.</p> <p>(3) The company has Labor-Management Meeting mechanism. 7 representatives are elected from the management side and 7 representatives are elected by and representing all the employees. The meeting is convened regularly once a quarter. During the meeting, basic information including the company's operation status, total numbers of employees, etc... are reported, and also motions such as labor conditions, employee's benefits, and other employee's rights related issues are also brought up for discussions.</p> <p>E. 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.</p> <p>F. According to Article 26-1 of the Company's Articles of Incorporation, the</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation (Note 2)	
			<p>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.</p> <p>G. The company has after-sale services for all the products and also carries out an effective customer complaint channel to assure all customers' rights.</p> <p>H. 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...</p> <p>I. Fu Hsing in 2018 signed with 9 new suppliers signed for the "Declaration of Social and Environment Responsibility". In 2018, 100% of Fu Hsing's new suppliers have signed the declaration.</p> <p>J. During the 2018 fiscal year, there was no supplier relationship termination</p>	

List of <u>Assessments</u>	Implementation Status <u>(Note 1)</u>			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary & Explanation (Note 2)</u>	
			due to social impacts by the company or its suppliers.	
4. Information Disclosure Enhancement A. Whether the company discloses relevant and reliable CSR related information on the company's website and on the Market Observation Post System?	✓		A. The company discloses a Sustainable Operation Reporting on the company's website (http://www.fuhsing.com.tw) and also discloses related information on the M.O.P.S. system of the Taiwan Stock Exchange.	No significant divergence
5. 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: The company has established a "Corporate Social and Environment Responsibility (SER) Execution Booklet" based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed Companies" and formed an execution committee to carry out the planning, promotion, auditing, reviewing, and improvements of the company's SER policies and ensure the execution status is in conformity with the requested principles.				
6. Other important information that might help to understand the operation of the CSR practices: The company set up "Taiwan Fu Hsing Cultural and Educational Foundation" as early as in the year of 2001 to make devotions in cultural education and social care. Till today, the Foundation has obtained Excellence Grade in the Comprehensive Evaluation by the Education Bureau, Kaohsiung City Government for the 10 th consecutive years and has gained praises in public for many times.				
7. If the company's CSR report passes the verification standard of related verification institution, the company should also make explanations: The Company is not required by law to edit and make the Corporate Social Responsibility Report because Fu Hsing is not in the criteria set by the Financial Supervisory Commission. However, the Company has voluntarily completed the CSR report for continuous three years based on the principles of self-discipline and continuous operation. In 2014, Taiwan Fu Hsing's Corporate Social Responsibility Report has been verified by SGS's AA1000 certification and the 2017 report also had been uploaded to the Company's web page under the Social Responsibility Section for all the interested parties to view and check.				

7. The implementation of ethical operation and the implementation manners used

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 and Plan</p> <p>A. Whether the company explicitly states the company’s policy and method toward ethical management and also the promise made by the Board of Directors and the company’s management of carrying out ethical management policies actively and honestly?</p> <p>B. 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?</p> <p>C. Whether the company adopts any prevention programs to forestall any activity stated in Article 7-2 of the Ethical Corporate Management Best Practice</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>A. 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.</p> <p>B. The company established SER (Social & Environment Responsibility) Promotion Committee in December 2013 to establish, audit, review and improve the company’s social and environmental strategy policies. The Committee is directly in charged by the President, authorized by the Chairman. All the related policies should be approved by the Chairman and then released to all related persons. Under orders by the President, the committee should convene meetings regularly (in every four months).</p> <p>C. For assuring the implementation of ethical operation, the company has established effective accounting system and internal control system. The</p>	<p>No significant divergence</p>

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
Principles for TWSE/GTSM Listed Companies or other operation activities that might have higher unethical conducts in other business scope?			internal audit personnel also regularly inspect and review the compliant status.	
<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 (concurrently) responsible for promoting corporate ethical management and operation and reporting to the execution status to Board of Directors regularly?</p> <p>C. Whether the company establishes conflicts of interest prevention policy, provides proper declaration channels, and truly carries out the policy?</p> <p>D. Whether the company has established effective accounting system and internal control system, and empowers internal audit unit to carry out periodic inspection or entrusted accountants to carry out inspections on the systems in order to carry out ethical operation?</p> <p>E. Whether the company regularly holds internal or external education training in the light of ethical operations?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>A. The company has not yet set up ethical behavior clauses in business contracts with corresponding parties. But this is under planning.</p> <p>B. The company established an official SER (Social & Environmental Responsibility) Promoting Committee to be in charge of the planning, promotion, inspection, review, and improvement of the company's social and environment policies. The Company's President, authorized by the Chairman, was the director supervisor. All the policies made by the committee must be approved by the Chairman prior to release to all other related parties.</p> <p>Meanwhile, the Committee reviewed, made improvements on the Company's CSR execution results, and reported to the board of directors in relation to the execution effects, which was also disclosed on the Company website.</p> <p>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</p>	No significant divergence

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
			<p>conducts or infringed official conducts.</p> <p>D. The company has established effective accounting system and internal control system, and empowers internal audit unit to carry out periodic inspection on the systems in order to carry out ethical operation.</p> <p>E. The Company handles ethical operation related issues as regulated principles to strengthen the concepts of honesty operation and morality. While was involving in any business activities, the Company explained the Company's polices and rules in relation to ethical operation. While was signing contract with others, the Company also brought into the concept of ethical operations into contract terms.</p> <p>Internal trainings held in 2018:</p> <p>(1) "SER Re-training session" / Date of training: 06/04/2018. Number of employees received training: 908 persons. Total training hour: 1 hour.</p> <p>(2) "Fu Hsing superintendents SER annual retraining session" was held in the light of all superintendents. Date of Training: 07/18/2018. Total number of superintendents received training: 54 persons. Total training hour: 1.5 hours.</p> <p>(3) "Annual AEO retraining session for Supply Chain Safety" was held in the light of all employees in the plant. Date of Training: 06/04/2018. Number of persons received training:908 persons. Total training hour:</p>	

List of Assessments	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
			<p>1 hour.</p> <p>External trainings:</p> <p>(1) 【The Institute of Internal Auditors】July & August Monthly Meeting- Whistle-blower mechanism / Date of Training: 07/01/2018 & 07/13/2018. Total of persons received training: 5 persons. Total training hours: 6 hours.</p> <p>(2) “Resolutions to carry out three lines of defense – internal auditor’s role, responsibility and moralities” / Date of Training: 11/6/2018. Number of employee received training: 1 person. Total training hour: 6 hours.</p> <p>(3) “On-the-Job Training for Corporate Internal Control System – Information and Communication Security Management Act, Corruption & Bribery related Risk Management and Audit Practices” / Date of Training: 12/3/2018. Number of employee received training: 1 person. Total training hour: 6 hours.</p>	
<p>3. The Operation of Accusation (Whistle-Blowing) System</p> <p>A. Whether the company establishes specific accusation and awarding system and creates convenient accusation channels, and whether proper personnel are appointed to investigate the being reported person and handle the case?</p>	✓		<p>A. The already made “Social and Environment Responsibility Statement” is explicitly expressed specific the company’s whistle blowing system. The Administration Department is assigned to be the accusation receiving unit.</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>	
<p>B. Whether the company sets up standardized investigation work procedures and 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>B. The company has set up “Social and Environment Responsibility Statement”. 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” to serve as a guideline to process all the complaint cases. In order to protect complainant’s personal information, all the process and handled in anonymous manner during the process. All the progress and results are secretly protected to prevent the complainant from differential treatments.</p>	
<p>4. Information Disclosure Enhancement</p> <p>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?</p>	<p>✓</p>		<p>The company has established “Guidance for Ethical Operation Procedures and Behaviors” and disclosed it 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.</p>	<p>No significant divergence</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>	
5. If the company follows “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” to establish the company’s ethical management rules, then the company should also state the implementation status and the divergence between the real practices and the rules: None.				
6. Other important information that might help to understand the operation of ethical management practices:				
A. The company follows the regulations and rules stated in the Company Act, Securities and Exchange Act, Business Entity Accounting Act, related chapters for TWSE/GTSM listed companies and regulations relating to other commercial behaviors and takes such rules and regulations as basis to carry out ethical management practices.				
B. The company has established Board of Director’s conflict of interest system in its “Rules of Procedures for Board of Director’s Meeting”. During the Board of Director’s Meetings, if any director or director’s represented corporation has conflict of interest on motions submitted on the meeting and such conflict of interests matter may bring risks to harm the company’s benefit, then the director must state his comment on the motions and answer all related question. Besides, the director should not enter in to the motion’s discussion or voting and should avoid his presence while the motion is brought up for discussion and voting. He cannot execute any voting right on the motion even if acting for directors.				
C. The company has established “Management Procedures to Prevent Insider Trading”. The company carries out education trainings and guidance on the company’s directors, supervisors, managers, employees, important information related units, and objects of the important information, and signs confidentiality agreement with them. Besides, the company also irregularly checks on insider’s security trading information to see if there is any extraordinary trading circumstances and pays special attention on the management and storing of document, files, and e-records relating to the company’s important information.				

8. If the company has established its own ethical corporate management principles and related policies, then the inquiry method should also be addressed: The company has promulgated Social and Environment Statement, Ethical Corporate Management Principles, Rules of Procedures for Shareholders’ Meeting, Rules of Procedures for Board of Director’s Meeting, Internal Whistle Blowing Guidelines, Work Procedures to Handle Significant and Important Information, and a comprehensive internal control and internal audit system. All the related information has been disclosed on the company’s website for meeting with employees’ inquiries and truly carrying out and promoting Fu Hsing’s corporate

governance system.

9. Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: No.
10. Corporate governance related continuing education listed below were courses taken by managers:
 - Securities & Futures Institute – 2018 Insider Trading Prevention Propaganda
 - Securities & Futures Institute – 2018 Law Compliance Promotion Seminar in relation to Insider Trading Management for Exchange Listed Companies and Non-Exchanged (OTC) listed Companies
 - National Cheng Kung University Department of Accountancy - Continuous Advanced Curriculum for accounting managers (2018)
 - Labor Affairs Bureau of Kaohsiung City Government – Risk & Control Works for Traditional Punching & Shearing Machine
 - Labor Affairs Bureau of Kaohsiung City Government – 2018 Occupational Risk Prevention Propaganda
 - Benjhou Industrial Zone – Industry 4.0 Application on Big Data Analysis

11. The implementation of internal control system

(i) Statement of internal control system

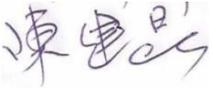
Date: March 22nd, 2019

In the light of the Company's 2018 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, 2018, 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 22nd, 2019 with 7 directors presenting at the meeting and 0 holding objection opinion on the contents of this Statement of Internal Control System.

Taiwan Fu Hsing Industrial Co., Ltd.

Chairman :  Signature

President:  Signature

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

Date	Important Resolutions	Execution Status
June 22 nd , 2018	Adoption of the 2017 business report, financial statements and earnings distribution proposal.	On Jun. 25 th , 2018, the Chairman resolved to set the ex-dividend date on Jul. 18 th , 2018 and Aug. 10 th , 2018 as the cash dividend distribution date.

(2) Board of Director's Meeting

Date (mm/dd/yyyy)	Important Resolutions
01/29/2018	To review "Total Remuneration Paid to Employees and to Directors and Supervisors in 2017"
	To review "2017 Remuneration Paid to Managers and Employees"
03/23/2018	To adopt the 2107 business report and financial statements
	To resolve on the 2017 earnings distribution
05/11/2018	Proposal to lend funds to subsidiary, Tong Xing
08/10/2018	To review the proposal to distribute 2018 Mid-Autumn Festival holiday bonus in relation to Chairman and other managers
11/09/2018	Proposal to establish "Rules for Corporate Governance Practices"
	Proposal to establish "Principles to evaluate the performance of Board of Directors"
12/11/2018	Report of the execution effects of CSR Committee
	Proposal to purchase liability insurance for the Company's Directors and Supervisors

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

(5) Information on certifying accountants

Name of Accounting Firm	Name of Accountant		Review Period	Remark
PwC Taiwan	WANG, Kuo-Hua	LIAO, A-Shen	2018	

(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 NTS2,000	-	600	600
2	NTS2,000 (including)~NTS4,000	3,660	-	3,660
3	NTS4,000(including)~NTS6,000	-	-	-
4	NTS6,000 (including)~NTS8,000	-	-	-
5	NTS8,000(including)~NTS10,000	-	-	-
6	NTS10,000 and above	-	-	-

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

Unit: NTD1,000

Name of Accounting Firm	Name of Accountant		Audit Fee	Non-Audit Fee					Review Period	Remark
				System design	Business registration	Human resource	Others	Total		
PwC Taiwan	WANG, Kuo-Hua	LIAO, A-Shen	\$3,660	-	-	-	\$600	\$600	2018	Transfer pricing and other related services \$600

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

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

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

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

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

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

Title	Name	2018		Jan. 1 st , 2019 ~ Apr. 17 th , 2019	
		Increase (Decrease) of shares held	Increase (Decrease) of shares pledged	Increase (Decrease) of shares held	Increase (Decrease) of shares pledged
Chairman	LIN, Jui-Chang	0	0	0	0
Director & President	CHEN, Chien-Kun	0	0	0	0
Director	Representative of Fu Zhi Investment Co., Ltd.: CHU, Jung-Ho	0	0	0	0
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	0	0	0	0
Director	Representative of Hong Cheng Investment Co., Ltd.: LIN, Tzu-Hsuan	0	0	0	0
Independent Director	CHANG, Ling-Ling	0	0	0	0
Independent Director	CHEN, Yung-Chun	0	0	0	0
Supervisor	Representative of Fu Zhi Investment Co., Ltd.: LIU, Ju-Shan	0	0	0	0
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	0	0	0	0
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	0	0	0	0
Group President	CHU, Jung-Ho	0	0	0	0
Group President	LIN, Teng-Tsai	0	0	0	0
Vice President	CHANG, Jui-Pi	0	0	0	0
Vice President	WANG, Han-Ting	0	0	0	0
Director	LIN, Tzu-Hsuan	0	0	0	0
Director	LI, Chen-Hui	0	0	0	0
Director	LIN, Shih-Huang	0	0	0	0
Chief Finance Officer	LI, Kuo-Wei	0	0	0	0
Plant Manager	CHUNG, Hsuan-Tung	0	0	0	0

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

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	Relationship	Remark
	Shares	%	Shares	%	Shares	%			
Person in Charge	Shares	%	Shares	%	Shares	%	Title / Name	Relationship	-

HSBC Depository BNP Paribas Wealth Management (Singapore)	11,261,000	5.98%	-	-	-	-	-	-	-	
Fu Zhi Investment Development Co., Ltd.	10,091,307	5.35%	-	-	-	-	-	Hong Cheng Investment Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung.	-
Fu Ding Investment Enterprise, Co., Ltd.								A 2 nd degree relative with the company's Chairman	-	
Fu Xun Investment Co., Ltd.								A 2 nd degree relative with the company's Chairman	-	
Lian Guang Investment Co.								A 2 nd degree relative with the company's Chairman	-	
LIN, Chao-Hung								Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Ding Investment Enterprise, Co., Ltd.	9,428,254	5%	-	-	-	-	-	Lian Guang Investment Co.	Both companies' Chairman is LIN, Wen-Hsing	-
								Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
								Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
								Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Wen-Hsing								Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fubon Life Insurance Co., Ltd.	9,400,000	4.99%	-	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	6,128,000	3.25%	-	-	-	-	-	-	-	-
Hong Cheng Investment Co., Ltd.	5,721,451	3.04%	-	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung	-
								Fu Ding Investment Enterprise, Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
								Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
								Lian Guang Investment Co.	A 2 nd degree relative with the company's Chairman	-
LIN, Chao-Hung								Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
CTBC Bank – LIN Jui-Chang trusted account	5,000,000	2.65%	-	-	-	-	-	-	-	-
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.	A 2 nd degree relative with the company's Chairman	-
								Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Lian Guang Investment Co.	4,210,417	2.23%	-	-	-	-	-	Fu Ding Investment Enterprise, Co., Ltd.	Both companies' Chairman is LIN, Wen-Hsing	-
								Fu Zhi Investment Development Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
								Hong Cheng Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
								Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
LIN, Wen-Hsing								Fu Sheng International Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-
Fu Sheng International Investment Co., Ltd.	4,162,000	2.21%	-	-	-	-	-			-
LIN, Tzu-Shuan								Fu Xun Investment Co., Ltd.	A 2 nd degree relative with the company's Chairman	-

(11) Composite share holding percentage

Unit: Share; %

Invested Enterprise (Note 1)	Fu Hsing's stake		Stake of Fu Hsing's directors, supervisors, managers and enterprise that Fu Hsing directly or indirectly has controlling power over		Composite holding	
	Shares	%	Shares	%	Shares	%
FORMFLEX ENTERPRISE CO., LTD.	23,704,000	100%	-	-	23,704,000	100%
MASTER UNITED INVESTMENT GROUP LTD.	1,560,000	100%	-	-	1,560,000	100%
Fortress Industrial Co., Ltd.	33,000,000	100%	-	-	33,000,000	100%
Tong Hsing Enterprise Co., Ltd.	70,000,000	100%	-	-	70,000,000	100%
FU HSING AMERICAS INC.	300,000	100%	-	-	300,000	100%
ARCTEK Industrial Co., Ltd.	5,838	70%	-	-	5,838	70%
Hundure Technology Co., Ltd.	4,216,179	51%	-	-	4,216,179	51%
ALLEGION FU HSING LIMITED	(Note 2)	49%	-	-	(Note2)	49%
ARCTEK TECHNOLOGY LIMITED	10,000	100%	-	-	10,000	100%

Note 1: Refers to investment under equity method.

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

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

Time	Issuance Price	Authorized Capital Stock		Paid-In Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Non-cash stock subscription	Others
March 2004	10	242,400,000	2,424,000,000	177,257,541	1,772,575,410	Common stocks converted from convertible bonds \$70,893,250	—	—
April 2004	10	242,400,000	2,424,000,000	166,643,832	1,666,438,320	Capital reduction of \$106,137,090 when merged a subsidiary	—	—
July 2004	10	242,400,000	2,424,000,000	187,375,650	1,873,756,500	Common stocks converted from convertible bonds \$20,731,818	—	—
October 2004	10	242,400,000	2,424,000,000	187,443,733	1,874,437,330	Common stocks converted from convertible bonds \$680,830	—	—
August 2005	10	242,400,000	2,424,000,000	191,991,170	1,919,911,700	Capital increased deriving from stock dividends and employee's stock bonus \$45,474,370	—	Approved by Correspondence Jin-Shou-Shang-Zi No.09401165300 on Aug. 29, 2005
April 2009	10	242,400,000	2,424,000,000	188,452,170	1,884,521,700	Capital reduction of \$35,390,000 by treasury stock retirement	—	Approved by Correspondence Jin-Shou-Shang-Zi No.09801062510 on Apr. 1, 2009

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

(2) Shareholding structure

Shareholding Structure Amount	Government & Institutional Holder	Financial Institution	Other Juridical Persons	Individuals	Foreign Institutions & Investors	Total
Numbers	1	6	75	13,428	76	13,586
Shares Hold	10,000	19,154,000	71,275,068	75,831,403	22,181,699	188,452,170
Shareholding %	0%	10%	38%	40%	12%	100%

(3) Dispersion of shareholding

NT\$10/share / Apr. 17, 2019

Range	Number of Shareholders	Number of Shares Held	Shareholding %
1 ~ 999	3,807	625,472	0.33%
10,000 ~ 50,000	7,382	15,862,529	8.42%
50,001 ~ 100,000	1,269	10,109,952	5.36%
100,001 ~ 150,000	353	4,560,361	2.42%
150,001 ~ 200,000	248	4,683,238	2.49%
200,001 ~ 300,000	197	5,055,148	2.68%
300,001 ~ 400,000	75	2,671,364	1.42%
400,001 ~ 500,000	47	2,204,887	1.17%
500,001 ~ 1,000,000	88	6,212,842	3.3%
1,000,001 ~ 2,000,000	49	6,556,095	3.48%
2,000,001 ~ 4,000,000	17	4,616,278	2.45%
4,000,001 ~ 6,000,000	12	6,221,227	3.3%
6,000,001 ~ 8,000,000	9	6,348,545	3.37%
8,000,001 ~ 1,000,000	0	0	0%
≥1,000,001	33	112,724,232	59.82%
Total	13,586	188,452,170	100%

(4) Name list of major shareholders

Name of Major Shareholder	Shareholding	Shares Held	Shareholding
HSBC Depository BNP Paribas Wealth Management (Singapore)		11,261,000	5.98%
Fu Zhi Investment Development Co., Ltd.		10,091,307	5.35%
Fu Ding Investment Enterprise, Co., Ltd.		9,428,254	5%
Fubon Life Insurance Co., Ltd.		9,400,000	4.99%
Nan Shan Life Insurance Company Ltd.		6,128,000	3.25%
Hong Cheng Investment Co., Ltd.		5,721,451	3.04%
TBC Bank – LIN Jui-Chang trusted account		5,000,000	2.65%
Fu Xun Investment Co., Ltd.		4,697,300	2.49%
Lian Guang Investment Co., Ltd.		4,210,417	2.23%
Fu Sheng Investment Co., Ltd.		4,162,000	2.21%

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

List		Year		
		2017	2018	Current year until Apr. 17th, 2019
Price per Share	Highest	44.30	38.55	40.25
	Lowest	36.50	30.55	33.95
	Average	40.29	35.19	36.60
Book Value per Share	Before profit distribution	26.71	27.56	—
	After profit distribution	24.71	Note 1	—
Earnings per Shares	Weighted Average Shares	188,452,170	188,452,170	—
	EPS	2.92	3.68	—
Dividend per Share	Cash dividend	2.00	2.40	—
	Stock grants	—	—	—
		—	—	—
	Accrued unpaid dividend	—	—	—
Return on Investment	PE Ratio (Note 2)	13.80	9.56	—
	Price to Dividend Ratio (Note 3)	20.15	14.66	—
	Cash Dividend Yield (Note 4)	4.96%	6.82%	—

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\$2.4 per share (for a total of \$452,285,208).

- (7) Effects of proposed stock dividend distribution to the company's operation performance and earnings per share: None
- (8) Employee's bonuses and remunerations paid to directors and supervisors
1. The percentages or ranges with respect to employee bonuses and director/supervisor compensation, as set forth in the Article 27 of the company's Articles of Incorporation: The detailed information can be looked up in the Handbook distributed in the Shareholders' Meeting of the year.
 2. The basis for estimating the amount of employee bonuses and director/supervisor compensation, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The amount of discrepancy shall be handled in accordance with the following principles:
 - A. According to the Company's Articles of Incorporation, the Company shall distribute not lower than five percent of current year's profit to its employees as employee remunerations and to distribute not more than five percent of current year's profit to its directors and supervisors as remunerations. In the year of 2018, 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. 25th, 2019 resolved a total amount of NT\$162,156 thousand as remuneration paid to employees and a total amount of NT\$14,820 thousand as remuneration paid to directors and supervisors.
 - ii. In 2018, it was estimated to paid NT\$160,859 thousand to employees as remuneration and NT\$14,820 thousand to directors and supervisors as remunerations.
 - iii. The actual amount of remuneration paid to employees and remuneration paid to directors and supervisor did not have significant differences from the estimated amount of such. Any differences shall be adjusted in the calculation of 2019 profits.
 - 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: \$3.68.
 4. The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), 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 cash was the same as the Company estimated and reserved amount for 2017. There was no discrepancy.
 - B. The above-mentioned cash bonus and remunerations paid to employees were NT\$127,737 thousand dollars and paid to directors and supervisors were NT\$13,200 thousand dollars.

- (9) Share buyback situation: None.
- (10) Issuance of corporate bond: None.
- (11) Issuance of preferred stock: None.
- (12) Issuance of global depository receipt: None.
- (13) Employee stock option: None.
- (14) Mergers or acquisitions, and issuance of new shares due to acquisition of shares of other companies: None.
- (15) The implementation of capital allocation plan:

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

V. The Operations
 (1) Operation content

i. Scope of Business

1. Main contents of the business

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

2. Analysis of operation revenues

Item	% of Total Revenue
Door related parts	100%

3. Current Products and Services

Name of Products	Services
High-end door locks	To provide traditional/electronic door lock. Under the premise of safety assurance to enhance our products' use flexibility and promote users' living quality.
Door closers and hinges	To provide door related hardware products other than door locks to enhance the convenience of use environment
Panic exit device	To provide customers with complete solutions in relation to fire exit door lock to reduce damages during fire disasters

4. Planned new products and services

- a) In the business of door lock and panic exit devices
 - a. Residential complex's access control system
 - b. To launch more IoT and home automation system related products
 - c. Touch screen lock and push bottom electronic lock.

- d. Provide more lock appearances selections for US standard home lock products
- e. The expansion on functions of the U.S. grade commercial locks.
- f. Lock products that meet U.S. new standards.
- g. To provide ANSI qualified commercial use toilet auxiliary lock
- h. Electronic parts relating to panic exit devices.

b) In the business of door closers

- a. Highly efficient door closers and the accessories that meet EU’s EN standard.
- b. Door closers that meet U.S. ANSI Grade 1 standard.
- c. Door closer arranging in pairs with electronic accessories.
- d. EU standard heavy type door/floor hinge related products.

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 in 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 centralized management’s characteristics and demands into consideration, how can we promptly supply the market with the required lock products has become one important theme for lock type products R&D.

When IoT platforms gets more mature and more popular and the smart home market demands rise gradually, the safety function for lock actually defines lock product’s role in the market. Different use environment and demands urged suppliers to develop electronic locks to be having more functions, wider applications, better product mix and more flexible pricing strategies.

Taiwan contains superior capabilities in high quality industrial design, metal processing and electronic technology R&D. Such advantageous strength, while is supplemented with agile marketing strategy and internationalized production& management division, has made domestic lock manufacturing industry to exercise leadership in the international market.

II. Interrelationship of the upstream, midstream and downstream industries

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

III. Product development trend and market competitions

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

a. Product development trend

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

b. Market competition

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

b-1. High-Price Products

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

b-2. Mid-Price Products

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

b-3. Low-Price Products

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

B. Door closer business

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

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

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

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

C. Profile of technology and R&D

In the current year (2018), the company invested in 186,340 thousand NT dollars in R&D and obtained 468 domestic patents and 523 international patents, for a total of 991 patents domestically and internationally. The accumulated number of patents obtained is nearly 1,307 items.

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

The 2018 new house and construction market in the North America continued affluent. The effects of tax-cut stimulation started to unfold, improved un-employment rate and salary rate further drive up the housing demand and consumer's consumption willing. However, at the end of 2018, factors like U.S.-China trade war and the increase of interest rate had withheld the market and people were staying on the sidelines to observe the market. Looking into 2019, favored by the 2000 generations, the demands of residential complex and rental housing market will continue to grow and further drive up the demands in the hardware market. However, the growth intensity will depend on the time when market uncertainties diminish. To cope with the trend where expected the demand of residential complex will be far more than single-family house, we will increase new products that are provided for clients in the main retailing market and construction market respectively 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 a short term, we will continue to stabilize and further strengthen current OEM and ODM customer's sales channels. For long term, we will also use progressive strategy to continue integrating all the possible win-win cooperation projects and business partners and try to keep creating better profits and growth.

a) as for product strategy:

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

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

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

- For short term, we will continue to increase the basic kind of product line and cultivate deeper in the market in order to enhance the market share:
 - a. have its fine basic function;
 - b. Is easier to install;
 - c. Is friendly in its pricing;
 - d. With various design

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

- a. To carry out near appearance design and the promotion of electronic functions in the light of current electronic lock products (touch panel & keypad)
- b. To connect to the trend of home automation and continuous put attention on the main-stream products such as smart phones, Bluetooth technology, NFC, touch screen, and biometric system. Will develop and expand the collaboration with electronic lock manufacturer and drawing 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. Two main appearance designing directions themed at "classical design" and "contemporary avant-garde design".

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

(2) Market and the Production-Marketing Situation

1. Major marketing area and the market share

The company targets at global market. The exporting amount was about 94% of the Company's total revenue. Among the export sales, sales to the North America market was the largest part and accounted to 60% of total sales, China sales was about 14%, and sales from all other areas including Asia (exclude China), Europe, New Zealand and Australia, central South America, etc... was about 20%. 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: in 2018 the continuous recovering U.S. economy and busy new housing market drove up the demands in hardware market. However, there are still challenges in the stable market; we still need to pay close attention on the trend of development. In 2019, if the trade war can ease up, so as to remove the uncertain factors, the existing housing demand may be able to drive up related economic demands in new housing, retail and construction markets. When the demands coming from new housing, retail, and construction related markets continue to grow, we expect such will bring significantly positive effects to our sales in Fu Hsing's main products.
- (ii) EU market: continue to develop strategic customers in Euro Zone. It is expected to drive the growth further by promoting niche products.
- (iii) South-East Asia & Central South America: China products have tariff benefits in this area and come with low price competition. Fu Hsing will work with its regional partners and release differentiated products, in shape and product specs, with more alternatives from the basis of modulization through our strength in customer's existing brand image and Fu Hsing's stable quality. By locking in regional strategic working partners, we will aggressively strengthen cooperation plans and keep promoting our market share in local areas for further growth.
- (iv) New Zealand and Australia: Besides current channels, we will actively cooperate with strategic partners and focus on specific product lines and channels to keep expanding our market share and develop a new growth driver by agile marketing strategies and product mix.
- (v) Domestic market: By optimizing high value-added products and advancing into the electronic lock product and comprehensive security system, Fu Hsing uses a more complete product line to

create new sales opportunities and markets.

- (vi) Emerging markets: This includes Mainland China and India. The growth in these areas is still strong. We expect the family door lock products and commercial door lock products can have a stable growth.

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

(1) Favorable factors

- A. The strength of internationalized production division: 3 production bases in Taiwan (Fu Hsing Kangshan plant, Fortress plant, and ARCTEK plant) and 2 in China (Taichang plant and Changshu plant) are favorable for vertical integration of parts supplying and production coordination of different parts to ultimately meet customer's needs.
- B. Cross-industry integration to create new business opportunities: By working with Hundure Technology to expand the product width and further complete the security system.
- 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 Benzhou Industrial Zone in Kaohsiung in 2017, is planned to complete construction at the end of 2018. The new plant is expected to increase the capacity and promote the quality of Zinc Alloy die casting and surface processing productions.
- F. Continuous investment is carried out into all plants' automation process to complete further lean-production concept and promote product's added value, quality and competitiveness.

(2) Unfavorable factors

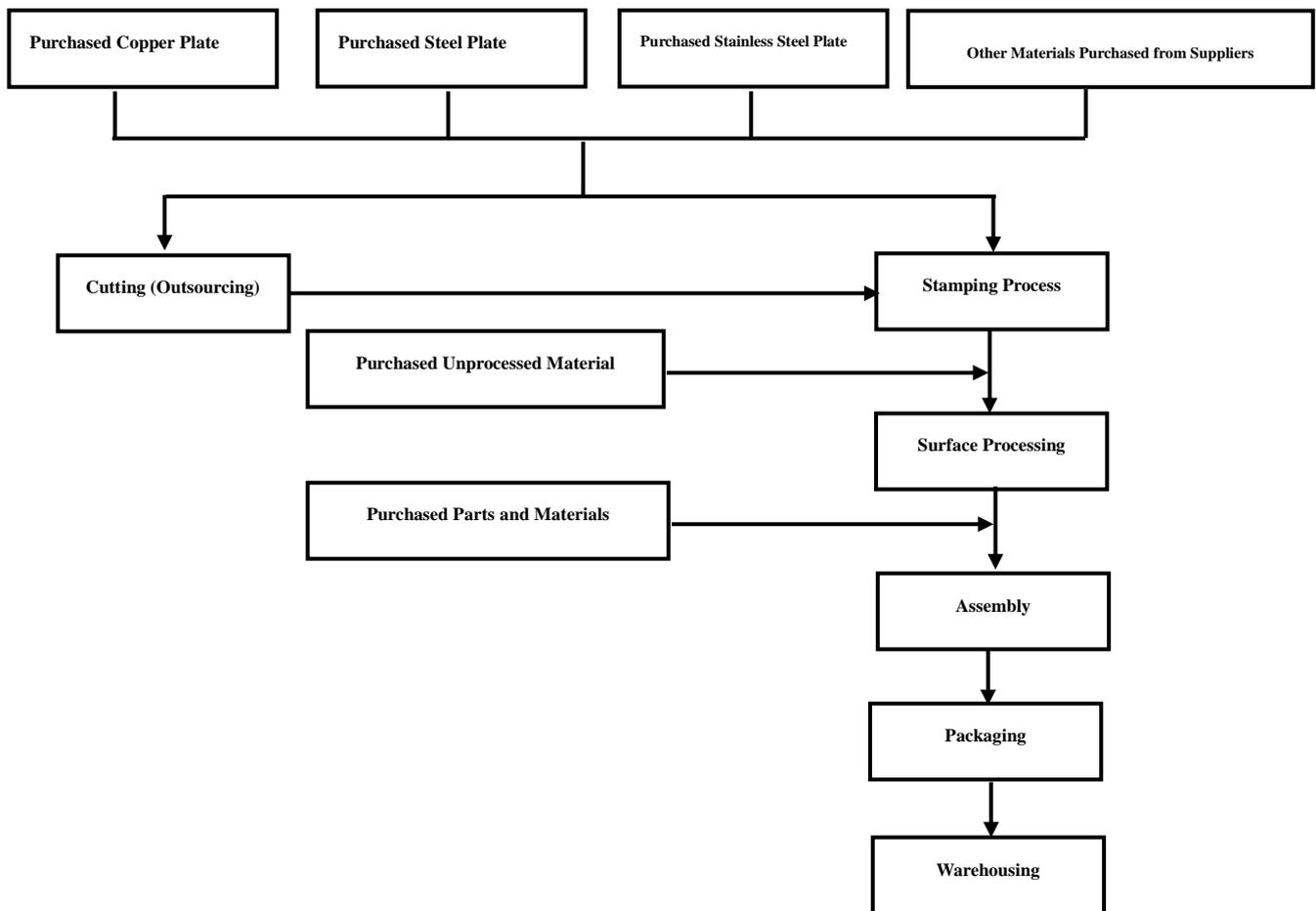
- A. China secondary product's low-price competition results in the irrational pricing competition in the market.
- B. The depreciation of US dollar impairs profits.
- C. Technology changes all the time. Electronic product's life cycle is relatively short.
- D. The raise of bulk materials prices and energy prices resulted in cost pressures.

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

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	2018				2017			
	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	\$6,516,537	100%	-	Others	\$6,296,664	100%	-
	Net Purchase	\$6,516,537	100%		Net Purchase	\$6,296,664	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	2018				2017			
	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	\$2,079,879	25%	None	Customer C	\$2,124,614	27%	None
2	Customer B	999,349	12%	None	Customer B	1,107,965	14%	None
	Others	5,224,230	63%	-	Others	4,773,822	59%	-
	Net Sales	\$8,303,458	100%		Net Sales	\$8,006,401	100%	

7. Production volume and value over the past two years

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

Year		2018		2017	
		Volume	Value	Volume	Value
Main Product	Product volume & value				
	Door related Metal Parts	43,437	\$6,410,540	42,682	\$6,143,480
	Total	43,437	\$6,410,540	42,682	6,143,480

8. Sales volume and value over the past two years

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

Year		2018				2017			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main product	Sales volume & value								
	Door related Metal Parts	1,942	\$581,379	40,341	\$7,722,079	2,141	\$617,247	40,690	\$7,389,154
	Total	1,942	581,379	40,341	7,722,079	2,141	617,247	40,690	7,389,154

(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		2017	2018	Jan. 1 ~ Apr. 17, 2019
Total Number of Employees	Director Labor	1,541	1,555	1,643
	Indirect Labor	645	630	639
	Management	186	196	197
	Total	2,372	2,381	2,479
Average Age		38.3	38.03	38.13
Average Year of Service		5.76	5.98	5.90
Education Analysis	Doctor	1	1	1
	Master	51	53	48
	University	783	814	843
	High School	782	792	824

	Below High School	755	716	770
--	-------------------	-----	-----	-----

(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: because the company has devoted to promoting environment improvements to reduce impacts to the environment, there were no significant issues in relation to environment pollution, leaks of harmful matters, and there was also no punishments/fines in relation to environmental protection act violations. In 2018, our Taichang plant, upon the requests in the special project to discipline electroplating enterprises by the Taichang City Environmental Protection Bureau, upgraded its electroplating production line and improved zero waste water discharge in production in relation to Nickel type plating. The plant facility increased 100cm in height, while the government standard was to increase 50cm, and established water trays for all the pipes connecting to plating bathes. And as the last step, the plant implemented fully enclosed plating process for all the electroplating lines. The overall height increase construction for plating lines were completed at the end of 2018, and now the lines are put into regular production already. The partition construction now is still an ongoing project and is expected to complete in May 2019.
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: NTS1,000

Name of Facility	2019	2020
The improvement and operation of air pollution prevention facility	2,950	2,927
The improvement and operation of water pollution prevention facility	9,170	10,279
Removal and process of business wastes	7,067	7,151

(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 Health Management System	Periodically review by the "Safety and Health Management Committee"	According to the guidance of the TOSHMS, the Safety and Health Management Committee periodically review and follow the execution results.
3	Risk assessment and the countermeasures	Assess related risks and makes the control policy	Periodically review related regional manufacturing procedures, work risks and the related regulations. Unacceptable risks and issues that do not meet regulated requirements will be reviewed for improvements, and associated management plan or manner will be made and executed. The execution results will be brought up for discussion in the safety and health meeting.
4	Electricity leakage protection	Facilities to carry out grounding to prevent leakage risks.	Set up grounding for facility's power system to prevent electricity leakage risk.
5	Chemical management	Establish safety standard for chemical's storing and use to prevent chemical spill risks	Establish hazardous goods general guidelines, regulate to store chemicals in anti-spill tanks to prevent chemical dispersion or spill, periodically carry out hazardous goods general guideline related training and provide and require operators to wear proper protection guards.
6	Work environment Monitoring	Regularly monitor work environment and carry out control and improvement based on the measuring results	Entrust external institution that has been certified by the Ministry of Labor to regularly monitor the work environment focusing on dusts, noise, and specific chemical substances according to the "Implementation Method to Carry Out Labor Work Environment Monitoring". Determination then is made to see whether the measurement results meet regulatory requirements. Any extraordinary factors found will be corrected and improved immediately to protect employee's health.

7	Regular health check	Implement employee health check regularly	Two kinds of health examinations are carried out two work condition, extra hazardous work and ordinary work, according to "Labor Safety and Health Protection Principle". Special examinations are carried out for statutory particular workplace hazards such as noise, dusts, and specific chemical substances. The examination results are classified in different levels for further managing labor's health condition and continuous improving the company's work environment.
8	Occupational accident prevention programs	Establish occupational accident prevention program	Establish the occupational accident prevention program of the year and develop detailed execution plans according to the program. The plans are implemented, audited and tracked, and are brought up for discussion and correction in a regular basis during the safety and health committee meeting to gradually reduce all the dangerous factors and risks.
9	Automatic inspection	Carry out automatic inspection	Promote automatic inspection to identify possible and potential hazardous factors in different work environments, procedures, operations, and production. Then such potential risk factors are improved and effectively controlled. Items being inspected include facility, the use of materials, work environment, operating equipment and machinery.

II. The Implementation of Work Safety Control

- (1) Control on special operations and work permit: according to the requirements regulated in Occupational Safety and Health Act and the company's safety and health assessing results, the company implements control and work permits on special operations such as overhead operation, hot work, confined space operation, and hoisting operation.
- (2) Supervision on safety and health condition: All work units in the factory site including contractors must submit application before carrying out high risk operations. Besides, the operating unit should appoint safety and healthy supervisory staff to carry out full supervision during the process of high risk operation for ensuring work safety.
- (3) Inspection of dangerous machinery and facility: according to statutory regulations, dangerous machinery and facility in the plant should be regularly inspection to meet qualifications. Besides, all the operators must acquire related operation license and regularly receive the company's on-job training to ensure the operation safety.
- (4) Accidents investigation, tracking, and improvement: for any accidents, regardless with or without injuries or only a false alarm, are discussed for improvements and tracked to eliminate potential dangers and prevent from injuries.
- (5) Safe operation standards revision: carry out the revision and modification on all operations' standard procedures. During the process, the involving operating personnel are requested to present and participate in the full review on the standard procedures in order to diminish chances of accidents due to improper operation procedures.
- (6) Plant site patrol and inspection: inspect the operation situation in the plant site without a fixed schedule. The inspection aims at the work environment around factory worker's activity area, work content, possible hazards. Extraordinary issues are reported and provided with suggestions for improvements in order to maintain workplace and labor safety.
- (7) Emergency response training: trainings are regularly held in light of emergency responses subjects including specific operation area, fire safety equipment, and

evacuations. All the employees have to participate in the training and practices for solidifying the training in emergency responses.

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

(6) Labor-Capital relations

Taiwan Fu Hsing considers its employees as a dynamic source of corporate sustainable operation and treats every employee as its partner. Based on the principle of profit sharing, Taiwan Fu Hsing provides its employees with complete pay compensation, benefits, and friendly work environment and strictly follows Taiwan's Labor Standards Act and related rules to provide complete protection to its labors. We also regularly adjusts employee's remuneration and benefits to be more competitive based on the price level, the human resources' demand and supply situation, the salary average in the same industry, etc... We hope every Fu Hsing employees to learn and devote with no worries and meanwhile are able to pursue a stable and happy life.

In 2015, Taiwan Fu Hsing, due to its honest business culture, devotions in promoting labor conditions, efforts to create happy working environment and labor-capital's win-win situation, was highly recognized and was recognized as one of the top ten happiness enterprises in Kaohsiung City by the Labor Affairs Bureau of Kaohsiung City Government. In 2016, the Sports Administration, Ministry of Education started to promote the "Sports Enterprise" certification program and in the first year there were only 50 enterprises certified. Taiwan Fu Hsing with its years of support in social sports event n and our inner cultural to promote health and exercises was received the honor as one of the fifties "sport enterprises" in Taiwan in the very first year, and received the same honor for the 2nd time in 2017 after on-site review by the Sports Administration, Ministry of Education.

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 1st "Arts & Business Award – Corporate Culture Award".

In the area of building a healthy work environment, Fu Hsing has for three consecutive years obtained the three phase healthy work environment certification promoted by the Health Promotion Administration. The three phase certification includes "2014 smoke control label" → "2015 health start label" → "2016 health promote label". Taiwan Fu Hsing has already completed the highest level certification in healthy work place. All these

official certifications just prove that our long term effort into the promotion of healthy labor and the culture of continuous operation is able to stand the strictest test.

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

1. Competitive overall remuneration:

While designing the remuneration system, the direction aims at stimulating employees to challenge higher remunerations based on a fixed salary base. The overall remuneration includes basic salary, rewards, and employee bonuses. The basic salary is determined by education, experiences, professional skills, and work performance. The company will never determine employees’ salary by their gender, religion, racial, nationality, political party, etc... The remuneration and protection of work conditions for every Fu Hsing staff are completely in compliance with local labor law and standards made by the International Bill of Human Rights. Also, the salary base was adjusted according to market standard and the Company’s operational achievement. In 2018, 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 2018 had 2,381 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 2018, we provided 8 and 5 internship posts for National Kaohsiung University of Science and Technology and the Machinery Department of the Kao-Yuan Vocational High School of Technology and Commerce respectively to cultivate new talents in fields of mold-stamping, product design, quality assurance, and R&D. 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 addition 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 2018, the Mother company convened 5 labor conferences in total. Also, the company vigorously promotes corporate SER (social and environment responsibility) implementation. Besides new employees’ training sessions, the Company also regularly advocates CER concepts through seminars and written advertisements to promote the related ideas to supervisors and employees. In addition, compliant channels are established and made public to employees, so that employees are able to report any SER violation issues to ensure the implementation and promulgation of the company’s SER policy.

6. Education training

As for employee’s training and education, the Company not only established “Method to subsidize on-job training in graduate level” but also provided various subsidies through the Staff Welfare Committee for employee’s on-job trainings to encourage employees to pursue higher education. In addition, the Company also establishes a comprehensive on-job training system to assist employee with

professional skills and knowledge and expand their expertise. Besides various professional trainings, the Company in 2018 continued to promote LEAN technology and QCC, and also held PSDM (Problem-Solving & Decision Making) courses for all the mid-to high level management for promoting their problem solving ability and risk prevention ability. The execution of education trainings in 2018 is summarized in the following table:

Taiwan Fu Hsing 2018 Education Training Program

Category	Female				Male				Total			
	Number of people	Number of people under the training	Training Hours	Course Fees	Number of people	Number of people under the training	Training Hours	Course Fees	Number of people	Number of people under the training	Training Hours	Course Fees
Director Labor	2,270	0	5,729	31,735	1,707	0	4,784	30,503	1,730	1,730	1,730	1,730
Indirect Labor	868	0	3,209	251,731	1,227	0	5,779	479,029	405	405	405	405
Management	208	0	1,206	188,820	822	0	4,701	1,279,208	1,030	0	5,907	1,523,959
Not course training related training expense	/				/				/			
Total	3,346	0	10,144	472,286	3,756	0	12,401	1,788,740	3,165	2,135	20,629	1,526,094

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

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

8. A comprehensive staff welfare network:

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

- (i) Performance of the staff welfare committee

Fu Hsing set up Staff Welfare Committee (the “Welfare Committee” hereinafter) as early as in 1983. The committee members are elected by employees to manage the welfare funds. The Welfare Committee establishes all kinds of subsidy standards and handles various activities based on employee’s needs. In 2018, the staff welfare expenditures were totaled 9.54 million dollars. Besides giving out various subsidies, the expenditures in Mother Company were mainly used to hold all kinds of activities, which were listed in the table below:

Time of the Activity	Contents of Activity	Contents of Activity
January	2017 Year End Meal Gathering (Year End Party)	Employee Meal Gathering & Talent Show and Competition
February	Draw a Good Year with graphic artists	When the Lunar Year holiday came close, the Welfare Committee held Calligraphy Relay Fun competition and Individual Competition
May	Zongzi Making Relay Competition	To cope with the holiday of Dragon Boat Festival, the Committee held Zongzi making competition.
May	2018 Company Trip	Divided into two trips. One was held in May 5~6 and the other trip was held in May 19~20. Trip destination: Yangming Mountain, Daxi Old Street, and Gloria Outlets.
September	Volleyball Game	Teams were divided by administration units and factory department. Competitions included men’s volleyball and mixed gender competition.
November	Shrimp fishing competition	Three competitions were held. The prizes included Total Weight Competition & Individual Shrimp’s Weight Competition. 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 trainings, throwing birthday parties and doing community activities.
3. Staff restaurant: The spacious, bright, and well-equipped with audiovisual equipment dining environment is able to provide hygiene, delicious, economic and diversified meals. The Company establishes and maintains facilities in the cafeteria. The Employee Welfare Committee is appointed to operate the cafeteria. For having a 6 dishes and 1 soup 1 unlimited drink at the staff restaurant, employees only pay partial cost of the meal and the Welfare Committee subsidies the remaining. We also have a separate dining area especially for Philippine workers for providing them with meals that suit their tastes and

respects on their culture. Both receive high appraisal from employees. Sometimes even foreign internship trainees that came to Fu Hsing during only summer vacations express their memory on the company's staff restaurant.

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

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

10. Retirement benefit

Retirement reserve supervisory committee	<ul style="list-style-type: none"> ● In order to effectively overlook the appropriation and use of the retirement reserve, the Company elects to appoint representatives from both the capital side and labor side to be the Retirement Reserve Supervisory Committee members in every four years according to laws and regulations in order to jointly manage the retirement fund. In Oct. 2018, members of the 8th 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 2018, 15 retirement application were deliberated.
A comprehensive pension system that also considers about humanity	<ul style="list-style-type: none"> ● In consideration of statutory requirements, the company fully follows regulations made in the "Labor Standards Act" and "Labor Pension Act" for both new system and old system pension plans. Besides, starting from March 2012, the company adjusted the retirement reserve appropriation rate to the highest level, 15%, and appropriated the highest reserve amount. Starting from April 2018, because there was sufficient fund in the retirement account reserve, the Company adjusted the portion of retirement fund reserve under the old system to 9% and continued make appropriations at the end of March each year into the retirement accounts of the retirement qualified labors of that year to ensure employees' right in the use of the retiring funds. ● In consideration of humanity, the company also considers that if an employee opts for old system. Under the old pension system, the employee is unable to meet the requirements once he has any significant changes in his life even though the employees has serviced in this company for many years already. In such circumstance, the employee is going to have a big loss in retirement benefit. In view of considering all the employees as Fu Hsing's relatives, the company established the "Employee Retirement Offer Method" in 2008. The Method was sent to the Labor Bureau for approval and as record. In 2017, after being reviewed by the Retirement Reserve Supervisory Committee, the age range of qualification to retirement has been lifted. It explicitly regulated that Fu Hsing employee, if his seniority and age adding together equals to or exceed 70, can apply for "voluntary early retirement application, even though his age is still under 65 years old. Once the company approves the application, the company should calculate the amount of pension depending on the seniority according to the Labor Standards Act. This Method has helped many senior employees to retire early from the company without worries, so they were able to transfer their focuses to their families.

(7)Important contracts: none.

6. Financial Report

(1) Condensed Balance Sheets and Statements of Income

1-1. Condensed Consolidated Balance Sheet

Unit: NTDS1,000

Year		Financial in the Past 5 Years (Note 1)				
		2014	2015	2016	2017	2018
Accounts						
Current asset		3,557,896	4,651,223	5,120,102	4,674,106	4,653,516
Real estate, plant and facilities		1,765,981	1,841,250	1,715,994	2,139,098	2,670,603
Intangible assets		175,948	124,252	26,198	26,800	30,051
Other assets		1,393,219	735,706	717,544	641,534	528,616
Total assets		6,893,044	7,352,431	7,579,838	7,481,538	7,882,786
Current liability	Before distribution	1,768,980	1,843,052	1,949,054	1,972,780	1,910,288
	After distribution	2,145,884	2,370,718	2,476,720	2,349,684	(Note 2)
Non-current liability		424,963	385,715	387,247	357,179	647,435
Total liabilities	Before distribution	2,193,943	2,228,767	2,336,301	2,329,959	2,557,723
	After distribution	2,570,847	2,756,433	2,863,967	2,706,863	(Note 2)
Equity attributable to the parent company		4,591,718	5,002,437	5,132,660	5,034,391	5,194,018
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	1,858,272	2,263,600	2,536,702	2,544,691	2,903,594
	After distribution	1,481,368	1,735,934	2,009,036	2,167,787	(Note2)
Others equity		281,811	287,202	144,323	38,065	-161,211

Treasury stock		—	—	—	—	—
Non Controlling interests		107,383	121,227	110,877	117,188	131,045
Total equities	Before distribution	4,699,101	5,123,664	5,243,537	5,151,579	5,325,063
	After distribution	4,322,197	4,595,998	4,715,871	4,774,675	(Note 2)

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2018 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

1-2. Condensed individual balance sheet

Unit: NTDS1,000

Year		Financial in the Past 5 Years (Note 1)				
		2014	2015	2016	2017	2018
Accounts						
Current asset		1,573,785	2,431,001	2,414,120	2,357,903	2,217,129
Real estate, plant and facilities		883,552	913,528	902,872	738,088	780,279
Intangible assets		1,565	1,151	858	2,345	3,084
Other assets		3,598,013	3,177,234	3,329,837	3,331,353	3,577,146
Total assets		6,056,915	6,522,914	6,647,687	6,429,689	6,577,638
Current liability	Before distribution	1,076,436	1,173,779	1,203,183	1,173,162	1,137,544
	After distribution	1,453,340	1,701,445	1,730,849	1,550,066	(Note 2)
Non-current liability		388,761	346,698	311,844	222,136	246,076
Total liabilities	Before distribution	1,465,197	1,520,477	1,515,027	1,395,298	1,383,620
	After distribution	1,842,101	2,048,143	2,042,693	1,772,202	(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	1,858,272	2,263,600	2,536,702	2,544,691	2,903,594
	After distribution	1,481,368	1,735,934	2,009,036	2,167,787	(Note 2)
Others equity		281,811	287,202	144,323	38,065	-161,211
Treasury stock		—	—	—	—	—
Total equities	Before distribution	4,591,718	5,002,437	5,132,660	5,034,391	5,194,018
	After distribution	4,214,814	4,474,771	4,604,994	4,657,487	(Note 2)

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2018 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

2-1 Condensed consolidated income statement

Unit: NT\$1,000

Year Accounts	Financial in the Past 5 Years (Note 1)				
	2014	2015	2016	2017	2018
Revenue	7,074,752	7,986,554	8,398,732	8,006,401	8,303,458
Gross margin	1,356,386	1,811,324	2,115,361	1,642,456	1,724,117
Operating profit	499,433	851,495	1,106,794	808,364	826,209
Non-Operation income (Expense)	171,990	224,984	53,802	-69,766	149,067
NIBT	671,423	1,076,479	1,160,596	738,598	975,276
Continuing operation's income	526,718	816,764	825,245	569,347	711,425
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	526,718	816,764	825,245	569,347	711,425
Other comprehensive income or loss (Net amount after tax)	74,912	-9,329	-163,377	-121,464	-156,905
Total comprehensive Income (Loss)	601,630	807,435	661,868	447,883	554,520
Net profit attributable to owner of the parent	507,914	796,103	819,739	549,976	693,117
Net Profit attributable to minority interest	18,804	20,661	5,506	19,371	18,308
Total comprehensive income attributable to owner of the parent	585,393	787,623	657,889	429,397	536,531
Total comprehensive income attributable to minority interest	16,237	19,812	3,979	18,486	17,989
Earnings per share (Note2)	2.70	4.22	4.35	2.92	3.68

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS

2-2 Condensed individual income statement

Unit: NT\$1,000

Year Accounts	Financial in the Past 5 Years (Note 1)				
	2014	2015	2016	2017	2018
Revenue	4,727,893	5,330,560	5,698,548	5,341,232	5,634,340
Gross margin	624,721	885,522	1,046,859	854,322	960,348
Operating profit	194,258	408,239	531,083	435,884	490,533
Non-Operation income (Expense)	390,891	546,043	461,454	210,232	367,772
NIBT	585,149	954,282	992,537	646,116	858,305
Continuing operation's income	507,914	796,103	819,739	549,976	693,117
Loss from discontinued operations	—	—	—	—	—
Net income (loss)	507,914	796,103	819,739	549,976	693,117
Other comprehensive income or loss (Net amount after tax)	77,479	-8,480	-161,850	-120,579	-156,586
Total comprehensive Income (Loss)	585,393	787,623	657,889	429,397	536,531
EPS (Note 2)	2.70	4.22	4.35	2.92	3.68

Note 1: Reviewed and certified by CPA

Note 2: Basic EPS

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

Year	Accounting Firm	Name of Accountants	Audit Opinion
2018	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2017	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2016	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Unqualified Opinion
2015	PwC Taiwan	LIAO, A-Shen LIU, Tzu-Meng	Modified Unqualified Opinion
2014	PwC Taiwan	LIAO, A-Shen LIU, Tzu-Meng	Modified Unqualified Opinion

(2) Financial analysis

1. Analysis on consolidated Financial

Year Analysis list (Note2)		Financial analysis in the Past 5 Years (Note 1)				
		2014	2015	2016	2017	2018
Financial Structure %	Debt ratio	31.83	30.31	30.82	31.14	32.45
	Ratio of liabilities to assets	284.07	299.22	328.14	257.53	223.64
Solvency %	Current ratio	201.13	252.37	262.70	236.93	243.60
	Quick ratio	150.27	205.16	218.08	187.19	188.31
	Times interest earned ratio	223.40	980.51	1,852.03	530.46	385.72
operating ability	Account receivable turnover (times)	5.00	4.93	5.04	4.97	5.49
	Days sales in accountable receivable	73	75	73	73	66
	Inventory turnover (times)	6.50	6.99	7.36	7.06	6.59
	Account payable turnover (times)	5.78	5.58	5.43	5.27	5.56
	Average days in sales	56	53	50	52	55
	Fixed properties, plants and equipment turnover (times)	4.66	4.43	4.72	4.15	3.45
	Total assets turnover (times)	1.08	1.12	1.12	1.06	1.08
Profitability	Return on assets (%)	7.79	11.19	10.99	7.32	9.05
	Return on Equity (%)	11.32	16.21	15.81	10.58	13.23
	Profit before tax to capital stock (%)	35.63	57.12	61.59	39.19	51.75
	Profit ratio (%)	7.18	9.97	9.76	6.87	8.35
	EPS (dollar)	2.70	4.22	4.35	2.92	3.68
Cash Flow	Cash flow ratio (%)	49.84	57.44	75.76	39.43	29.48
	Cash flow adequacy ratio (%)	101.16	115.62	150.38	130.16	114.70
	Cash re-investment ratio (%)	8.73	10.94	14.62	3.87	2.68
Leverage	Operation leverage	4.99	3.21	2.68	2.64	2.59
	Financial leverage	1.01	1.00	1.00	1.00	1.00

Note 1: Reviewed and certified by CPA.

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

- (1) Decreased in the Times interest earned ratio: Mainly due to increased interest expenditures in relation to factory construction, which arose the need to use financial credit lines.
 - (2) Increase in 5 analytical elements under the profitability: mainly because of expanding business scale in 2018. Meanwhile, Taiwanese dollars and Renminbi depreciated with respect to U.S. dollars, so the Company had forex gain, which increased the net profit.
 - (3) Decreased in cash flow ratio: Mainly due to the sale of beneficiary certificates in 2017 and newly purchase 200mn of beneficiary certificates in 2018, which reduced net cash inflow of the operating activities on Cash Flow Statement.
 - (4) Decreased in the capital reinvestment ratio: mainly because the net cash inflow of the operating activities was reduced in 2018 (as mentioned on (3)), and also in the same year, there was 580mn dollars increase in real estate, factory and facilities in relation to the new factory construction and replacement and expansion.
-

Note 2: Formulas:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of liabilities to assets = (Total equity + non-current liabilities) / Net amount of fixed properties 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 ratio = Net income before tax and interests / Interest expense of the term

3. Operating ability

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

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

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

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

(5) Average days 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 NTS10, 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

Year Analysis list (Note 2)		Financial analysis in the Past 5 Years (Note 1)				
		2014	2015	2016	2017	2018
Financial Structure %	Debt ratio	24.19	23.31	22.79	21.70	21.04
	Ratio of liabilities to assets	519.69	585.55	603.02	712.18	697.20
Solvency %	Current ratio	146.20	207.11	200.64	200.99	194.90
	Quick ratio	120.16	183.01	175.25	175.66	166.57
	Times interest earned ratio	2,613	45,443	41,357	2,486	66,024
operating ability	Account receivable turnover (times)	4.94	4.98	5.37	5.29	6.04
	Days sales in accountable receivable	74	74	68	69	60
	Inventory turnover (times)	13.19	15.25	15.57	14.43	14.36
	Account payable turnover (times)	6.48	6.05	5.90	5.54	6.28
	Average days in sales	28	24	24	25	25
	Fixed properties, plants and equipment turnover (times)	7.55	5.90	6.24	6.46	7.37
	Total assets turnover (times)	0.81	0.84	0.86	0.81	0.86
Profitability	Return on assets (%)	8.76	12.66	12.45	8.41	10.66
	Return on equity (%)	11.32	16.60	16.18	10.82	13.55
	Profit before tax to capital stock (%)	31.05	50.64	52.67	34.29	45.54
	Profit ratio (%)	10.80	15.01	14.47	10.37	12.38
	EPS (dollar)	2.70	4.22	4.35	2.92	3.68
Cash Flow	Cash flow ratio (%)	59.55	52.11	73.58	76.94	40.49
	Cash flow adequacy ratio (%)	95.80	106.47	122.72	134.67	126.32
	Cash re-investment ratio (%)	5.15	4.25	6.31	6.82	1.55
Leverage	Operation leverage	8.38	4.63	3.58	3.95	4.73
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Note1. Reviewed and certified by CPA.

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

- (1) Increased in Times interest earned ratio: mainly due to the expansion of operational scale. In addition, there were forex gain due to depreciated Taiwanese dollars while converting into U.S. dollars, increased investment gain under equity method, increased overall profits, and, meanwhile, decreased in interest expenses.
- (2) ROA, ROE, Profit before Tax to Capital Stock ratio, and EPS increased: mainly due to reasons mentioned in (1), so the overall

profits increased.

- (3) Cash flow ratio decreased: mainly due to decreased cash inflow from operating activities, while beneficiary certificates were sold in 2017 and in 2018 purchased 200mm dollars new beneficiary certificates.
- (4) Cash Re-investment Ratio decreased: mainly due to decreased cash inflow from operating activities in 2018, as mentioned in (3).

Note 2: Formulas:

1. Financial structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of liabilities to assets = (Total equity + non-current liabilities) / Net amount of fixed properties 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 ratio = Net income before tax and interests / Interest expense of the term

3. Operating ability

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

4. Profitability

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

5. Cash Flow (Note 5)

- (1) Cash flow ratio = Cash flow generated during operation activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow generated from operation activities in the past 5 years / (capital expenditure + increase in inventories + Cash dividend) of the past 5 years
- (3) Cash re-investment ratio = (Net cash flow generated during operation activities – Cash dividend) / (Gross amount of fixed properties and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage:

- (1) Operation leverage = (Net sales revenue – Variable operation cost and expenses) / Operation profit (Note 6)
- (2) Financial leverage = Operation profit / (Operation profit – Interest expense)

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

1. Should take the weighted average total number of common shares instead of the total issued shares at the year-end as the basis.

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

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

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

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

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

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

Supervisor's Audit Statement

Attn: Taiwan Fu Hsing Industrial Co., Ltd. 2019 General Shareholders' Meeting

In accordance with the Article 219 of the Company Act, we have examined the company's operation report and motions of earnings distribution along with the mother company's financial report and the consolidated financial report that were audited and signed by Accountants WANG Kuo-Hua and LIAO A-Shen of the PwC Taiwan and submitted by the Board of Directors for the year ending 2018, and found them in order.

Supervisor:

HUANG, Fu-Ti

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

LIN, Wen-Hsing

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

LIU, Ju-Shan

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

March 22nd, 2019

(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	2018	2017	Difference	
				Amount	%
Current assets		\$4,653,516	\$4,674,106	\$-20,590	-
Fund & Investments		308,791	474,842	-166,051	-35%
Real estate, factory and equipment		2,670,603	2,139,098	531,505	25%
Intangible assets		30,051	26,800	3,251	12%
Other assets		219,825	166,692	53,133	32%
Total assets		7,882,786	7,481,538	401,248	5%
Current liabilities		1,910,288	1,972,780	-62,492	-3%
Non-current liabilities		647,435	357,179	290,256	81%
Total liabilities		2,557,723	2,329,959	227,764	10%
Capital		1,884,521	1,884,521	-	-
Capital surplus		567,114	567,114	-	-
Retained earnings		2,903,594	2,544,691	358,903	14%
Other equity		-161,211	38,065	-199,276	-524%
Minor interests		131,045	117,188	13,857	12%
Total shareholder's equity		5,325,063	5,151,579	173,484	3%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Fund & Investments decreased 35%: mainly due to valuation loss resulted from lowered stock price of invested listed companies (financial assets at fair value through profits or loss).</p> <p>(2) Real estate, factory and facilities increased 25%: mainly due to increased capital expenditures for new factory construction in 2018.</p> <p>(3) Other assets increased 32%: mainly due to the increase of prepayments in relation to new factory.</p> <p>(4) Non-current liabilities increased 81%: mainly due to increased long term debt resulted from new factory construction related financing in 2018.</p> <p>(5) Other equity decreased 524%: mainly due to the reason mentioned in (1), valuation changes of invested companies were listed under the account of other equity.</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		Increase (Decrease)	Change %
	2018	2017		
Total sales revenue	\$8,346,066	\$8,051,495	\$294,571	4%
Sales return and discount	42,608	45,094	-2,486	-6%
Total sales revenue – net	8,303,458	8,006,401	297,057	4%
Operating Cost	6,579,341	6,363,945	215,396	3%
Gross Margin	1,724,117	1,642,456	81,661	5%
Operating Expenses	897,908	834,092	63,816	8%
Operating Profit	826,209	808,364	17,845	2%
Non-operating income and expenses	149,067	-69,766	218,833	-314%
Net income before tax	975,276	738,598	236,678	32%
Tax	263,851	169,251	94,600	56%
Net income after tax	711,425	569,347	142,078	25%
Other comprehensive income after tax – net	-156,905	-121,464	-35,441	29%
Total comprehensive income	554,520	447,883	106,637	24%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Changes in Non-operating income and expenses: mainly due to recognized forex gain in 2018 in relation to depreciated New Taiwan Dollars and Renminbi with respect to U.S. dollars (there were forex loss in 2017).</p> <p>(2) Net income before tax increased 32%: mainly due to the influence mentioned in (1).</p> <p>(3) Income tax increased 56%: mainly because the income tax rate was increased to 20% in 2018 in Taiwan.</p> <p>(4) Net income of the current period increased 25%: was mainly influenced by (2) and (3).</p> <p>(5) Other comprehensive income after tax decreased 29%: mainly resulted from the decrease in the difference in exchange rates recorded on 2018 accounting reports in overseas operations.</p> <p>(6) Total comprehensive income of this period increased about 24%: was mainly influenced by (4) and (5).</p> <p>2. Estimated sales volume in the future year and the basis: according to our experiences in the past and the observations in trend of future industrial growth, we expect to sell 45,623 thousand units in 2019.</p> <p>3. Possible influences on the company's future financial situation and the encountering measures: No significant changes.</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	2018	2017	Changes	
			Amount	%
Net cash flow	\$-334,281	\$-279,088	\$-55,193	20
(1) Net cash inflow decreased in 2018 comparing to 2017 mainly due to cash outflows in relation to new factory related real estate and facilities.				
(2) Improvement on insufficient liquidity: The company has sufficient cash on hand. We do not have insufficient liquidity situation.				

2. Cash flow analysis for the future year:

Unit: NT\$1,000

Beginning cash balance	Estimated cash inflow from operating activities of the year	Estimated cash outflow of the year	Estimate amount of cash surplus (insufficient)	Supplement measures for insufficient cash	
				Investment planning	Financial planning
\$1,701,955	\$9,012,523	\$9,021,894	\$1,692,584	-	-
(1) Analysis on the estimated cash flow changes in 2019: A. Operation activity: No significant changes estimated. B. Investment activity: Continued expenditures on new factory construction and equipment procurement were expected. C. Financing activity: Expected to have cash outflows due to cash dividend distribution.					
(2) The make-up plan for insufficient cash, and the analysis on solvency: We expect cash is enough in 2019.					

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

The new construction of subsidiary, Tong Hsing Enterprise Co., Ltd. in Benjhou Industrial Zone started in March 2017. The total investment amounted to 1 billion New Taiwan Dollars. The construction is estimated to be completed at the 2nd quarter of 2019.

The investment fund mainly comes from working capital from operations and partially from bank loans. The Company has healthy financial structure and low debt rate. The investment project does not cause significant influence to the Company's financial situation.

The Company expects to further vertically integrate the manufacturing processes of Zinc alloy die casting and surface process to enhance overall operational efficiency after the construction of Tong Hsing plant is completed.

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, promotion of operation synergy and overall competitiveness. In 2018, the Company recognized NT\$ 299,065

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, NTD and RMB depreciated with respect to U.S. dollars, which brought positive benefits to the Company's operation. However, the pricing of international crude oil and bulk materials seemed to increase, which we considered it as a challenge to the Company's cost management. Hence, the Company will continue to adopt appropriate hedge policies on currency and materials procurement and actively keep on promoting VA/VE and developing new products to improve and enhance the Company's overall value and strengthen further our competitiveness.

The responses to risks are listed as below:

- (1) Response to risks of interest rate: The Company has stable profits and sufficient operational cash. Although the Company has some bank loans with floating interest rates due to the purchase of real estate, factory and equipments, we expect the interest rate can keep at low

level due to the QE policy in the market. Hence, we do not expect a big fluctuation in interest rates.

- (2) Response to risks of exchange rate: The Company is mainly doing exporting business, so exchange rate fluctuation does have certain effects on the company. We will continue to carry out appropriate hedge strategy by forward selling with the expectation to reduce the exchange rate fluctuation risk to the minimal.
- (3) Response to risks of inflation: The price of international energy and bulk materials currently are in the trend of raise. We will continue to discuss the relevance of the consumed energies and try to develop alternative materials, through R&D, to control our procurement cost and reduce unnecessary wastes during the manufacturing procedure with the expectation of reducing the operational pressure caused by increasing material costs.

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 need to handle such transaction 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 risks of metal materials cost increase due to huge price changes in the market.

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

- (1) Mechanic door lock:
 - a. For home use door lock, the focus is put on the market of residential complex in the North America. Using current Grade 2 and Grade 3 structure as the base, the product R&D aims at providing wider range of product combinations to fulfill customers in different markets and channels in the needs of product appearance, mechanical strength, fitting, and others. We will especially focus on providing agile alternatives in product appearances and the development of special surface process (such as antimicrobial coating).
 - b. For commercially medium to heavy door products, the focus will be put on ANSI Grade 1 and UL fire proof products. We will continuously add new functions to further expand market coverage, and also keep moving toward products with higher technology barrier and higher values.
 - c. Fu Hsing has become one of the members in the Builders Hardware Manufacturer

Association (BHMA), thus we can react more timely and quickly to product certification updates, regulation changes, and others. Besides having obtained the BHMA test certification at the highest grade ANSI Grade 1 commercial door lock products, in the future we plan to further extend downward to Grade 2 commercial door lock products in order to further enhance Fu Hsing's competitiveness in the construction market.

- (2) Electronic door lock:
- a. Current production line is getting more and more integrated. Besides the existing push-bottom lock and electronic touch lock, we will also customize products with different appearances to satisfy customers from different groups in order to increase the marketing breadth.
 - b. While more and more electronic products are able to connect to smart phones, we plan to develop electronic door locks with NFC (near field communication) or Bluetooth functions, and furthermore design an APP interface to connect products with smart phones to create a completely new user experience.
 - c. The home automation market in North America is gradually going into a mature market. Taiwan Fu Hsing also follows major customer's footprint to develop electronic products that are compatible with Z-wave/Zig-bee technology. While cooperating with customer's own user platform, we are able to provide end users with a more comprehensive access security management system.
 - d. For commercial use electronic door locks, the market always requires more intense integration power in electro-mechanical technology and software. With the strengths in the mechanic door lock's manufacturing ability, R&D ability, and professional supports from its partners, Taiwan Fu Hsing is able to develop a comprehensive door lock system in the light of commercial door lock's use environment, like in residential complex, to reduce customer's cost in public access management.
- (3) The planned R&D investment: The planned R&D expense in 2019 was 209,886 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:

The changes on domestic political policy and laws did not affect the company's financial and business operations in recent years. Besides, the Company is centering on developed nations, such as U.S. and EU, where were having relatively stable regulations and policies, so foreign policies and regulations did not have significant influence on our financial and business. However, we will still keep an eye on the changes at abroad.

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: No significant merger or acquisition projects.

9 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

In consideration of future operational needs and further enhance self-production proportion and control key manufacturing process, the project of establishing new factory for Tong Hsing Enterprise Co., Ltd. in Benzhou Industrial had been resolved in Board of Directors' Meeting. The construction is expected to complete continuously in the 2nd quarter of 2019 with expectation to promote the overall operation efficiency. Nevertheless, the external operation environment changes quite fast and there are highs and lows in market demand; hence the Company will carefully observe the market changes and work closely with customers to minimize operational risks.

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

資料截止日：107年12月31日



(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, 2018

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
台灣福興工業股份有限公司 Taiwan Fu Hsing Industrial Co., Ltd.	Nov. 23 rd , 1957	No.88, Yucai Rd., Kangshan Dist., Kaohsiung City, Taiwan R.O.C.	1,884,521	Mainly work for the manufacturing and sale of door lock, electronic door lock, family metal products, and dies.
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 production and processing of metal die casting products and the related surface processing (electroplating, painting)
Fortress Industrial Co., Ltd. 合興工業股份有限公司	May 16 th , 2012	No.103, Hsingong 1 st Rd., Dahsing Village, Beidou Township, Changhua County, Taiwan R.O.C.	330,000	The production and sale of door closer, panic exits and hinges related products.
Arctek (Shanghai) Safety Protection Technology Co., Ltd. 艾德克安防科技(上海)有限公司	Mar. 16 th , 2012	No.11, 4F, Room 412, Allay 4666, Gonghexin Rd., Xiabei Dist., Shanghai City, P.R.C.	107,746	The sale of door closer and door hinge and floor hinge related products.
Formflex Enterprise Co., Ltd. 福弘國際股份有限公司	Feb. 1 st , 2005	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	741,744	Reinvestment business.
Formflex Metal Industrial (Changshu) Co., Ltd. 福弘金屬工業(常熟)有限公司	May 12 th , 2005	No.120, Huangpujiang Rd., Changshou National New & Hi-tech Industrial Development Zone, Jiangsu Province, P.R.C.	735,090	The production and sale of door locks and related parts
Fortune Industrial Ltd. 福承工業有限公司	Aug. 3 rd , 2007	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	13,133	Reinvestment business.
ChangShu Fortune Packing Material Co., Ltd. 常熟福誠包裝材料有限公司	Oct. 11 th , 2007	Huangpujiang Rd., Southeast Economic Development Zone, Changshu, Jiangsu Province, P.R.C.	13,133	The production of packaging materials and plastic parts
Arctek Industrial Co., Ltd. 朕蒙工業股份有限公司	Jul. 27, 1994	No. 1, Sihai Rd. Sec. 1, Beidou Township, Changhua County, Taiwan R.O.C.	83,400	The production and sale of door hinge and floor 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 door hinge and floor 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.	82,668	The production and sale of electronic control facility, electronic fire protection and monitoring system

Fortress Door Control Product (Changshu) Co., Ltd. 合興門控製品(常熟)有限公司	Mar. 12, 2014	High Tech Industrial Development Zone in Huangpujiang Rd., Changshu, Jiangsu Province, P.R.C.	90,750	The manufacturing of door closer related products
Tong Hsing Enterprise Co., Ltd. 同興股份有限公司	Dec. 16, 2014	No.12, Bengong Rd., Kangshan Dist., Kaohsiung, R.O.C.	700,000	The processing and sale of hardware products
H&C Econ Tech Engineering Co., Ltd. 艾德克科技有限公司	Apr. 27, 2016	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	320	Investment on all I businesses

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

IV. Industries involved by the overall affiliated companies

- i. Business of the company and affiliated companies: including manufacturing industry and investment industry.
- ii. The company is mainly working for the manufacturing and sales of door lock and door related metal accessories. Based on 2018 operations, the sales and procurement information involving affiliated companies are stated as below:

The transaction among affiliated companies:

A.

Unit:NTD1,000

Item	Affiliated Party		2018
Merchandises sales	Subsidiary	FHA	\$135,110
		Others	1,933
Labor sales	Subsidiary	Ziyong (Taichung)	20,676
		Formflex (Changshu)	9,031
		Others	6,029
Total			\$172,779

B.

Unit: NTD1,000

Item	Affiliated Party		2018
Merchandises Procurement	Subsidiary	FORMFLEX	\$1,809,877
		Ziyong (Taichang)	252,265
		Others	99,769
Labor expenditures	Subsidiary	F.H.A.	37,671

	Associate	ALLEGION	20,983
Total			\$2,220,565

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	Remark
											Name	Value			
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	\$15,088	\$15,088	\$10,561	2.50%	Note 1(1)	\$135,110	-	-	None	-	\$135,110	\$1,038,803	Note2
Tong Hsing Enterprise Co., Ltd.	Account Receivable – Related party	Yes	100,000	100,000	-	2.5%	Note 1(1)	-	To purchase equipment	-	None	-	347,298	519,402	Note2
Arctek Security Technologies (Shanghai) Co., Ltd.	Other Account Receivable – Related Party	Yes	144,400	72,832	72,832	2.50%	Note1(2)	-	As working capital	-	None	-	175,903	263,855	Note3
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	15,088	15,088	15,561	2.50%	Note1(1)	19,760	-	-	None	-	19,760	185,338	Note3
ARCTEK Industrial Co., Ltd.	Other Account Receivable – Related Party	Yes	110,000	110,000	35,000	2.616%	Note1(1)	188,918	-	-	None	-	123,447	123,447	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, 2018				
Name of Business	Title	Name or Representative	Holding Shares	
			Shares	Holding %
Taiwan Fu Hsing Industrial Co., Ltd.	Chairman	LIN, Jui-Chang	1,624,978	1
	Director and President	CHEN, Chien-Kun	675,132	0
	Director (Representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer	10,091,307	5
	Director and Group President (Representative of Fu Zhi Investment Development Co., Ltd.)	CHU, Jung-Ho	10,091,307	5
	Director and Group Vice President (Representative of Hong He Investment Co., Ltd.)	LIN, Tzu-Hsuan	5,721,451	3
	Independent Director	CHANG, Ling-Ling	0	0
	Independent Director	CHEN, Yung-Chun	0	0
	Supervisor (Fu Yuan Investment Co., Ltd.)	LIN, Wen-Hsing	2,697,185	1
	Supervisor (Fu Yuan investment Co., Ltd.)	HUANG, Fu-Ti	2,697,185	1
	Supervisor (Fu Yuan Investment Co., Ltd.)	LIU, Ju-Shan	2,697,185	1
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		
	Supervisor (Representative of Master United Investment Group Ltd.)	WANG, Yu-Wen		
Formflex Enterprise Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	23,704,000	100
Fortress Industrial Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	33,000,000	100
	Vice Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	33,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	33,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIU, Ju-Shan	33,000,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	33,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	HUANG, Fu-Ti	33,000,000	100

	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	33,000,000	100
Arctek (Shanghai) Safety Protection Technology Co., Ltd.	Chairman (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.	CHU, Jung-Ho	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		
H&C Econ Tech Engineering Co., Ltd.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	10,000	100
Formflex Metal Industrial (Changshu) Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Chien-Kun	Limited company, not applicable	100
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Yung-Chih		
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHU, Jung-Ho		
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Wen-Hsing		
	Supervisor (Representative of Formflex Enterprise Co., Ltd.)	LI, Kuo-Wei		
Fortune Industrial Ltd.	Chairman	TSAI, Ching-Chin	204,000	49
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		51
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Yung-Chih		—
Changshu Fortune Packing Material Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.)	TSAI, Ching-Chin	Limited company, not applicable	100
	Director (Representative of Formflex Enterprise Co., Ltd.)	LIN, Teng-Tsai		
	Director (Representative of Formflex Enterprise Co., Ltd.)	CHEN, Yung-Chih		
	Supervisor (Representative of Formflex Enterprise Co., Ltd.)	LI, Kuo-Wei		
ARCTEK Industrial Co., Ltd.	Chairman	LIN, Jui-Chang	0	0
	Director	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	LIN, Chou-Hsien	0	0
	Director	TSAO, Yung-Chuan	0	10
	Supervisor	LIN, Tzu-Hsuan	0	0
	Supervisor	LI, Kuo-Wei	0	0
Rui Sheng Industrial Co., Ltd.	Chairman	CHEN, Chien-Kun	0	0
	Director	CHU, Jung-Ho	0	0
	Director	TSAO, Yung-Chuan	0	0
	Director	TAI, Hsu-Sung	216,000	20
	Director	TAI, Li-Kai	108,000	10
	Supervisor (Representative of ARCTEK Industrial Co., Ltd.)	LI, Kuo-Wei	756,000	70
Hundure Technology Co., Ltd.	Supervisor (Representative of ARCTEK Industrial Co., Ltd.)	TAI, TZU-Chin	756,000	70
	Chairman	LIN, Chao-Hung	0	0
	Director	LIN, Tzu-Yang	0	0
	Director	LI, Chi-Chih	449,520	5
	Director (Representative of Taiwan Shin Kong Security Co., Ltd.)	HSU, Chen-Yen	542,400	7
	Director	CHU, Jung-Ho	0	0
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	4,216,179	51
Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	TAI, Tzu-Chin	4,216,179	51	
Fortress Door Control Product (Changshu) Co., Ltd.	Chairman (Representative of Fortress Industrial Co., Ltd.)	CHEN, Chien-Kun	Limited company, not applicable	100
	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-Hsuan		
	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	70,000,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, -Chien-Kun	70,000,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Teng-Tsai	70,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	70,000,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	70,000,000	100

7. Financial situation and operation results of the company and its affiliated companies

Data drawn on Dec. 31st, 2018

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)
Taiwan Fu Hsing Industrial Co., Ltd.	1,884,521	6,577,638	1,383,620	5,194,018	5,634,340	490,533	693,117	3.68
FU HSING AMERICAS, INC.	9,637	187,206	66,181	121,025	215,159	15,334	10,908	36.36
Master United Investment Group Ltd.	538,240	677,826	-	677,826	9	59,326	59,326	38.03
Ziyong Hardware Products (Taichang) Co., Ltd.	512,839	1,152,375	474,582	677,793	1,600,556	74,068	59,317	Note
Arctek (Shanghai) Safety Protection Technology Co., Ltd.	107,746	37,323	80,798	(43,475)	30,070	(13,154)	(14,600)	Note
Formflex Enterprise Co, Ltd.	741,744	926,689	-	926,689	808,359	3,757	122,133	5.15
Formflex Metal Industrial (Changshu) Co., Ltd.	735,090	1,358,998	479,472	879,526	2,123,577	122,568	117,738	Note
Fortune Industrial Ltd.	13,133	19,310	-	19,310	468	437	437	2.14
Changshu Fortune Packing Material Co., Ltd.	13,133	28,452	9,196	19,256	44,852	518	468	Note
H&C Econ Tech Engineering Co., Ltd.	320	224	-	224	-	(30)	(30)	(3.00)

ARCTEK Industrial Co., Ltd.	83,400	311,053	182,109	128,944	277,612	11,094	13,458	1,613.67
Rui Sheng Industrial Co., Ltd.	10,800	40,539	10,279	30,260	32,776	5,265	5,385	4.99
Fortress Industrial Co., Ltd.	330,000	899,117	281,880	617,237	1,301,179	86,254	83,173	2.52
Hundure Technology co., Ltd.	82,668	310,115	156,488	153,627	232,596	32,199	25,676	3.11
Fortress Door Control Product (Changshu) Co., Ltd.	90,750	129,117	46,227	82,890	229,390	(4,629)	(1,451)	Note
Tong Hsing Enterprise Co., Ltd.	700,000	919,357	224,762	694,595	-	(3,616)	(4,736)	(0.07)

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