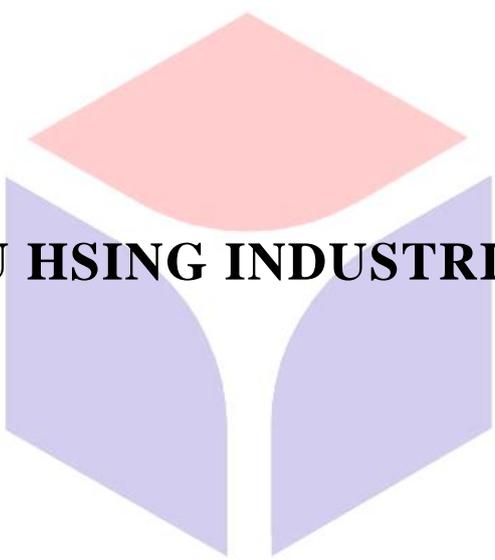


**Security Code : 9924**



**TAIWAN FU HSING INDUSTRIAL CO., LTD.**

**2015  
ANNUAL REPORT**

Printed Date: March 31, 2016

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

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

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## V. Listed overseas securities for trading: None

## VI. Company Website: [www.fuhsing.com.tw](http://www.fuhsing.com.tw)

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## A. Letters to Shareholders

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

The year of 2015 is another good year for Fu Hsing regarding its operations. Thanks to the recovering U.S. market, which is our main market, orders from our existing customers were very stable during the whole year. Besides, new customer development also had good achievements. Therefore, our revenues in 2015 continued to write the new record high to reach 7.99 billion dollars. On the other hand, due to strong U.S. dollar, the pricing of bulk metallic material was also quite stable. With the synergy from manufacturing procedures improvements, Fu Hsing also achieved a new highest operational margin. We hereby thank all the domestic and international employees and staffs for their devotions in the past year and their help to create such brilliant performance. Of course, this also proved that our decision to focus on our core business was a correct decision. In the past year, Fu Hsing also achieved:

- Obtained 70 patents in various nations, including the U.S. highest level Grade 1 patent in lock mechanism.
- Received the honor of “Good Fortune Enterprise Label Award” as one of the top ten happiness enterprise from the Kaohsiung City Government.
- Its “2014 CSR Statement” received SGS certification.
- The sales of electronic door lock grew 140%.

**The Company’s 2015 operation results are stated as the following:**

### (1) Review of Business Plan Implementation

Unit: NTD1,000

List	2015	2014	Increase (Decrease)	Increase (Decrease) by %
Revenues (Net)	7,986,554	7,074,752	911,802	13%
Operating Profit	851,495	499,433	352,062	70%
NIBT (Net Income Before Tax)	1,076,479	671,423	405,056	60%
NIAT (Net Income After Tax)	796,103	507,914	288,189	57%

### (2) Review of Budget Implementation

Not available. Fu Hsing did not disclose Financial Forecast for the year of 2015.

### (3) Analysis of Receipt, Expenditure, and Profitability

List		2015	2014
Financial Structure	Debt to Total Asset (%)	30.31	31.83
	Long Fund to Fixed Assets, Plants and Facilities (%)	299.22	284.07
Business Solvency	Current Ratio (%)	252.37	201.13
	Quick Ratio (%)	205.16	150.27
	Interest Protection Multiples	980.51	223.40
Profitability	Return on Assets (%)	11.19	7.79
	Return on Equity (%)	16.21	11.32
	NIBT to Paid In Capital (%)	57.12	35.63
	Net Profit Ratio (%)	9.97	7.18
	Earnings Per Share (dollar)	4.22	2.70

### (4) Research & Development Works

The development of new products and technology has always been one important operational direction for Fu Hsing. In 2015, besides continuously promoting our R&D speed, we also continuously introduced in different kinds of electronic technologies to construct a more comprehensive and diversified electronic lock production line. We extended vertically and innovated further from push-bottom lock and touch electronic lock product to door locks that are compatible with home automation platforms. We also expanded the cooperation with electronic manufactures to integrate horizontally and included computer software and mobile phone apps in order to develop advanced products that are able to connect to current door access control system by the newest blue tooth communication technology. We hope Fu Hsing is able to accumulate its R&D and innovation capacity during the process of software and hardware integration and open up the gap with latecomers.

Besides the development of electronic locks, we still maintain the pace in developing traditional door lock products. In 2015, Fu Hsing actively participated in activities held by the Builders Hardware Manufacturers Association (BHMA) in the U.S. Besides having already become one of the members in the BHMA, our U.S. Grade 1 commercial flat bar product line was also certified by the BHMA to enhance products' competitiveness in the local market. We also continued to keep an eye on the changes of U.S. regulations in order to develop products that meet the newest regulation requirements. In the breadth of products, Fu Hsing, through various channels, collected and analyzed the most updated appearance design trend in order to launch exterior parts that are able to meet the market demand timely and help our customers grasp the precious business opportunities when the construction industry booms.

For the coming year, our main development direction will focus on:

1. To strengthen Fu Hsing's customer services power

In order to deep cultivate our main North America market and provide customers with better services, Fu Hsing acquired a land in Georgia State, United States. The land measures about 50,000 sqft and will be

used for storage and office facilities. In the future, besides the capability to provide prompter and more flexible delivery, this land is going to be one important business site for Fu Hsing to expand its business in North America. We believe all our customers will trust our determination and are willing to work with Fu Hsing to create a win-win business and future.

#### 2.To echo to energy saving concept and further advance Fu Hsing’s social responsibility

Fu Hsing disclosed its CSR Statement (Corporate Social Responsibility Statement) in October 2014 for the first time. In the statement, we clearly recorded all efforts we have made to fulfill corporate social responsibility. However, we truly know that the implementation of corporate social responsibility is not only paperwork or just a slogan, but instead corporate should adopt real actions. In the coming year, we will pay our attention on energy saving. Besides encouraging colleagues to think and submit energy saving ideas, we will also focus on analyzing the possibilities of improving current facilities’ energy consumption efficiency. We hope we are able to reduce operation cost, being friendlier to our environment, and further advance Fu Hsing’s social responsibility by promoting energy saving idea in all the aspects.

#### 3.To improve manufacturing procedures and integrate resources

In order to meet the company’s long term growing demand, increasing manufacturing efficiency and resources integration are areas we should pay lots of attention on. In the coming year, we will keep investing in and increasing the percentage of automation. Meanwhile, we will look for ways to reduce manufacturing wastage in order to increase the production yield per person. In addition, in the past few years, we have successively acquired more than 6,000 ping lands that should be further planned and utilized based on the operational directions. We will also carry out the most efficient plan and integrations for all the production facilities and resources among all the factories to maximize the resources utilization efficiency.

#### 4.To more actively develop the value of Fu Hsing’s intangible assets

It has been nearly 60 years after Taiwan Fu Hsing was established. Besides its solid manufacturing technology, continuous innovation and creation is also a very important element for Taiwan Fu Hsing to keep its competitive edge. In order to follow the market development trend, we are now actively and carefully plan our global patent arrangement for electronic door locks and intelligent family housing and residential complex’s access control system. We hope Fu Hsing is able to continuously develop the “blue sea” market and maintain its leading role in the industry.

The IMF’s newest World Economy Outlook predicts the global economic growth rate will fall at 3.2% in 2016, which is slightly lower than the 3.5% in 2015. We can see that global economic situation might not be very positive. Therefore, many developed countries, in order to stimulate their economies, carry out all kinds of monetary easing policies such as cutting interest rate or even carrying out negative interest rate. However, those monetary policies help the inter-flow of international hot money and in relation with that cause the increasing material prices and also the appreciation of New Taiwan Dollars. These are

challenges for our operations in the future. But we will keep holding our steadily and firm spirits and continuously focusing on our core business. With our international outlook, long-term strategic goal, and business philosophy of implementation, we believe Fu Hsing will continue to grow and expand despite the slowing global economy. We hope Fu Hsing will not disappoint its shareholders and is able to live up to its reputation as the world's largest door lock manufacturer.

**Chairman:**  
**LIN, Jui-Chang**

**President:**  
**CHEN, Chien-Kun**

**Chief Accounting Officer:**  
**LI, Kuo-Wei**

## B. Company Profile

### 1. Date of Establishment:

#### (1) Registration Date of Establishment:

November 23<sup>rd</sup>, 1957

#### (2) Company and Factory Address and Phone Number:

Headquarter (Factory): No.88, Yucai Rd., Benzhou Vil., Gangshan Dist., Kaohsiung City

Telephone No.: +886 7 6225151

Taipei Contact Office: 8/F, No.23, Ln. 155, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City

Telephone: +886 2 26643030

Taichung Contact Office: No.310, Hezuo ST., South Dist., Taichung City

Telephone: +886 4 22859965

#### (3) Business Scope:

- CA04010 Metal Surface Treating
- CA02070 Lock Manufacturing
- CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
- CD01030 Automobiles and Parts Manufacturing
- CD01040 Motor Vehicles and Parts Manufacturing
- F214030 Retail Sale of Motor Vehicle Parts and Supplies
- CQ01010 Die Manufacturing
- F206030 Retail Sale of Die
- F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
- CA02080 Metal Forging Industry
- CA01090 Aluminum Casting Manufacturing
- CA01990 Other Non-Ferrous Metal Basics Industries
- 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"><li>• 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.</li><li>• 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.</li></ul>
1967~1976	<ul style="list-style-type: none"><li>• 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.</li><li>• With thriving business, the old factory required further expansion. Thus, for long term development, the whole factory was moved to Kangshan Township in Kaohsiung County. The plant site was expanded to have 16,529 square meters and company capital was increased to NT10,000,000 dollars.</li></ul>

1977~1986	<ul style="list-style-type: none"> <li>•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.</li> <li>•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.</li> <li>•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.</li> <li>• With renowned good product quality, Fu Hsing was approved as one of the CNS certified factories by the Ministry of Economic Affairs.</li> </ul>
1986~1996	<ul style="list-style-type: none"> <li>•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.</li> <li>•Invented electronic keycards and obtained various domestic and overseas patents.</li> <li>•Was awarded the honor of “Good Company of the Top Ten Product Research and Development” by the Chinese National Federation of Industries.</li> <li>•Received the honor of the 1<sup>st</sup> Industrial Technology Advancement Award.</li> <li>•Fu Hsing Chairman was elected as the 15<sup>th</sup> Model of Young Entrepreneur.</li> <li>•Received the 2<sup>nd</sup> SMEA award.</li> <li>•Fu Hsing products were awarded the mark of Taiwan Excellence.</li> <li>•On March 15<sup>th</sup>, 1995, Fu Hsing went public. Door Closer Group was established. ◦</li> </ul>
1997~2006	<ul style="list-style-type: none"> <li>•Obtained ISO-9002 certification from the Bureau of Merchandise Inspection.</li> <li>•Received the 7<sup>th</sup> Industrial Technology Development Award from the Ministry of Economic Affairs.</li> <li>•Implemented employee bonus and employee stock policy.</li> <li>•China’s re-invested company Ji Jing Institution (Shanghai) Co., Ltd. was re-named to Fu Hsing Industrial (Shanghai) Co., Ltd..</li> <li>•Consolidated 100% owned subsidiary Formflex Enterprise Co., Ltd.</li> <li>•Invested in Ziyong Hardware Products (Taichang) Co., Ltd. in China.</li> <li>•Formed strategic alliance with Ingersoll Rand Group from the United States.</li> <li>• ERP system was officially launched to achieve a more efficient integration on corporate resources and information system.</li> </ul>
2007	<ul style="list-style-type: none"> <li>• E-Management: Introduced in BI (Business Intelligent) system to connect with the company’s ERP database for prompter and comprehensive data analysis.</li> <li>•E-Pass system was introduced into the Mold Center to enhance the accuracy of production cost calculation and promote the overall competitiveness.</li> <li>•Invested in China and set up ChangShu Fortune Packing Material Co., Ltd. with total investment amount of US 204,000 dollars.</li> </ul>
2008	<ul style="list-style-type: none"> <li>•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.</li> <li>•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.</li> </ul>

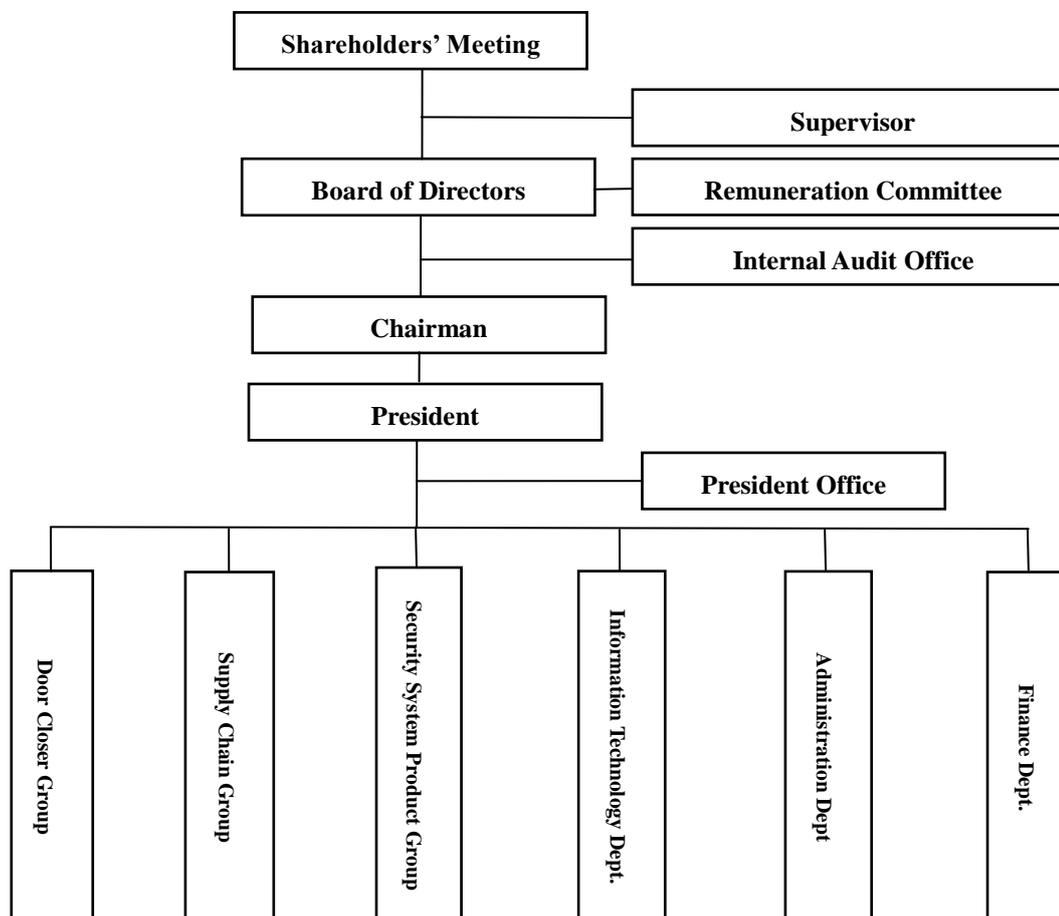
2009	<ul style="list-style-type: none"> <li>•Acquired ARCTEK Industrial Co., Ltd. to strengthen the industry’s horizontal integration, increase the market share of door closer type products such as door hinge and floor hinge, and enhance the company’s competitiveness.</li> <li>•Received AFNOR ASIA’s ISO14001 international certification through TAF environment management monitoring system.</li> <li>•Implemented treasury stock buyback and used for capital reduction. The total capital at the time was NTD 1,884,521,700.</li> </ul>
2010	<ul style="list-style-type: none"> <li>•Introduced Lean Production System.</li> <li>•Introduced BPM (Business Process Management) system.</li> <li>•Acquired 70% of Rui Sheng Industrial Co., Ltd. through ARCTEK Industrial Co., Ltd.</li> <li>•All the issued outstanding securities changed to be non-physical securities.</li> </ul>
2011	<ul style="list-style-type: none"> <li>•Indirectly invested in a newly established company, Ming Hong Material Technology (Changshou) Co., Ltd., in China through an oversea company, Formflex Enterprise Co., Ltd., and stepped into 3C products manufacturing business. The total investment amount was estimated to be USD2,500,000.</li> <li>•Obtained the AEO certification from the Customs Administration, Ministry of Finance R.O.C. and became one of the good AEO safety certified companies.</li> </ul>
2012	<ul style="list-style-type: none"> <li>•Consolidated a 100% own subsidiary, Tai Master Enterprise Co., Ltd.</li> <li>•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 1<sup>st</sup>, 2013.</li> <li>•Established Arctek (Shanghai) International Trading Co., Ltd.</li> <li>•Invested USD5,000,000 in Formflex Metal Industrial (Changshu) Co., Ltd. in China to increase the capital.</li> <li>•Officially launched the operation of Remuneration Committee in first quarter.</li> </ul>
2013	<ul style="list-style-type: none"> <li>•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.</li> <li>•Established the “Guidance for Ethical Operation Procedures and Behaviors” as a code of conduct for employee’s external behaviors.</li> <li>•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 9<sup>th</sup>.</li> </ul>
2014	<ul style="list-style-type: none"> <li>•Merged Hundure Technology Co., Ltd. and entered into access security industry.</li> <li>•Edited and published Fu Hsing’s first “CSR Corporate Sustainable Development Report” (edited in accordance with GRI G4 index).</li> <li>•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.</li> <li>•Established Fortress Door Control Product (Changshu) Co., Ltd.</li> <li>•Established Tong Sing Co., Ltd.</li> </ul>
2015	<ul style="list-style-type: none"> <li>•The “2014 CSR Report” was certified by the SGS.</li> <li>•Received the honor of “Good Fortune Enterprise Label Award”</li> <li>•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.</li> </ul>

## C. Corporate Governance Report

### 1. Organization System

#### (1) Organization Chart

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



#### (2) Business Scope of Major Business Unit:

Department	Top Executive Officer	Business Scope
Internal Audit Office	Senior 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.
Administration Dept.	Manager	Responsible for human resources, administrative issues, and employee education and training.
Finance Dept.	Chief Finance Officer	Responsible for accounting, cashier, taxation, cost, and fund management.
Security System Product Group	Group President	Responsible for the research, development, manufacturing, marketing, and after-sale services of door lock type products.
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, 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 units

(1)Information on directors and supervisors (I)

Data drawn on: Dec. 31, 2015

Title	Nationality or Place of Registration	Name	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	Jun. 18, 2014	3 Years	79.05.31	1,624,978 (Note 2)	0.86%	1,624,978 (Note 2)	0.86%	597,576	0.32%	-	-	Soochow University - Accounting	Note 3	Vice President Supervisor	CHANG, Jui-Pi LIN, Wen-Hsing	Spouse Brother
President	Taiwan R.O.C.	CHEN, Chien-Kun	Jun. 18, 2014	3 Years	82.02.24	675,132 (Note 2)	0.36%	675,132 (Note 2)	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 4	-	-	-
Director	Taiwan R.O.C.	Representative of Hong He Investment Co., Ltd.: CHU, Jung-Ho	Jun. 18, 2014	3 Years	97.05.31	1,827,000 (Note 1)	0.97%	1,827,000 (Note 1)	0.97%	-	-	-	-	National SunYat-Sen University - EMBA	Note 5	-	-	-
Director	U.S.A.	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	Jun. 18, 2014	3 Years	97.05.31	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	Brigham Young University - MBA	Note 6	-	-	-
Director	Taiwan R.O.C.	Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan	Jun. 18, 2014	3 Years	94.05.31	10,091,307 (Note 1)	5.35%	10,091,307 (Note 1)	5.35%	-	-	-	-	National Taiwan University of Science and Technology – Industrial Management Graduate	Note 7	-	-	-
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	Jun. 18, 2014	3 Years	88.04.16	1,844,185 (Note 1)	0.98%	2,697,185 (Note 1)	1.43%	90,045	0.05%	-	-	Cheng Shiu College - Machinery	Note 8	Chairman	LIN, Jui-Chang	Brother
Supervisor	Taiwan R.O.C.	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	Jun. 18, 2014	3 Years	88.04.16	1,844,185 (Note 1)	0.98%	2,697,185 (Note 1)	1.43%	-	-	-	-	Feng Chia University - Statistics	Note 9	-	-	-

Note 1: Number of shares held by corporate shareholders.

Note 2: Number of shares held by natural persons.

Note 3: 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 director in Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.), the Chairman of Fortress Industrial Co., Ltd., and the Chairman of Tong Hsing Enterprise Co., Ltd.

Note 4: 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 ALLEGION Fu Hsing Holdings., LTD., a director of Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading 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 5: Is concurrently the President of a 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 Ziyong Hardware Products (Taichang) Co., Ltd., the Chairman of Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.), the Vice Chairman of Fortress Industrial Co., Ltd., a director in Fortress Door Control Product (Changshu) Co., Ltd., and a director in Hundure Technology Co., Ltd.

Note 6: Is concurrently a consultant in First Western Advisors, the Honorary Chairman of the Cooper Directional Drilling, and a director in Allegion Fu Hsing Limited.

Note 7: Is concurrently the General Manager of Waterland Venture Capital, a director in Quo Want International Leasing Corporation, a committee member in the Remuneration Committee of the Excel Cell Electronic Co., Ltd., and a director in Fortress Industrial Co., Ltd.

Note 8: Is concurrently a director in Ziyong Hardware Products (Taichang) Co., Ltd. and a director in Formflex Metal Industrial (Changshu) Co., Ltd.

Note 9: Is concurrently a supervisor in Everlance Co., Ltd., a supervisor in Fortress Industrial Co., Ltd., an independent director in Service & Quality Technology Co., Ltd., and an independent director in Energy Display Technologies Corp.

## (1)Information on directors and supervisors (II)

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%
	De Li International Investment Co., Ltd.	7.33%
	WU, Yuan-Sheng	3.43%
	CHEN, Chien-Kun	2.63%
Hong He Investment Co., Ltd.	LIN, Chao-Hung	50%
	LIN YIN, Li-Wen	50%
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%
	Sheng You Investment Co., Ltd.	9.00%
	De Li International Investment Co., Ltd.	7.32%
	CHEN, Chien-Kun	2.63%
	WU, Shu-Hao	1.57%
	LIN, Shu-Yuan	1.14%
	WU, I-Hsin	0.72%
	LIN, Chih-Ning	0.72%
	LIN, Chih-Wei	0.72%
	LIN, Jui-Chang	0.65%

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

## (1)Information on directors and supervisors (III)

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholder	Note
Fu Xun Investment Co., Ltd.	CHANG, Jui-Pi	42.41%
	LIN, Tzu-Shuan	33.45%
	CHANG, Shan	13.79%
	LIN, Tzu-Yang	6.90%
	LIN, Jui-Chang	3.45%
Hong Cheng Investment Co., Ltd.	LIN YIN, Li-Wen	49.64%
	LIN, Chao-Hung	47.74%
	LIN, Shao-Chien	1.31%
	LIN, Shao-Chieh	1.31%
Lian Guang Investment Co., Ltd.	LIN, Wen-Hsing	35.83%
	HSU, Mei-Hui	33.34%
	LIN, Chih-Cheng	15.83%
	LIN, Chih-Yu	15%
Sheng You Investment Co., Ltd.	LIN, Miao-Chen	33.04%
	LIN, Teng-Tsai	31.30%
	CHANG, Shan	21.74%
	LIN, Ping-Kuan	5.22%
	LIN, Chih-Wei	4.35%
	LIN, Chih-Ning	1.74%
	SHIH, Wei-Ming	0.87%
	SHIH, Chin-Hung	0.87%
De Li International Investment Co., Ltd.	SHIH, Chin-I	0.87%
	LIN, Miao-Yin	32.26%
	CHEN, Chen-Yueh	30.65%
	CHEN, Ssu-Chin	17.74%
	CHEN, Ssu-Kai	17.74%
	WANG, Shu-Yuan	1.61%

(1) Information on directors and supervisors (IV)

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 Hong He Investment Co., Ltd.: CHU, Jung-Ho		-	-	✓	-	-	-	-	✓	-	✓	✓	✓	-	-
Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing		-	-	✓	-	-	-	-	✓	-	✓	-	✓	-	-
Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti		-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-

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

- (1) Neither an employee of the company nor of its affiliated enterprises.
- (2) Neither a director or 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 March 31<sup>st</sup>, 2016

Title	Nationality	Name	Post Beginning Date (yy/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	1994/01/01	675,132	0.36%	6,940	-	-	-	Soochow University - Accounting	Note 1	-	-	-
Group President	Taiwan R.O.C.	CHU, Jung-Ho	2008/01/01	95,244	0.05%	-	-	-	-	National Sun Yat-Sen University - EMBA	Note 2	-	-	-
Group President	Taiwan R.O.C.	LIN, Teng-Tsai	2008/01/01	200,129	0.11%	43,428	0.02%	-	-	National Hsin Hua Industrial Vocational High School - Machinery Engineering	Note 3	-	-	-
Vice President	Taiwan R.O.C.	CHANG, Jui-Pi	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	2010/05/01	28,439	0.02%	-	-	-	-	National Cheng Kung University - Machinery Engineering	Note 4	-	-	-
Director	Taiwan R.O.C.	LI, Chen-Hui	2004/10/01	968	-	-	-	-	-	Soo Chow University - Politics	None	-	-	-
Director	Taiwan R.O.C.	LIN, Shih-Huang	2012/01/01	40,000	0.02%	-	-	-	-	University of Michigan - Ann Arbor - Doctoral in Machinery	None	-	-	-
Director	Taiwan R.O.C.	LIN, Tzu-Hsuan	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.	CHIANG, Hung-Wei	2014/09/01	-	-	-	-	-	-	National Chiao Tung University - Master in Management Science and Research	Note 6	-	-	-
Director	Taiwan R.O.C.	CHU, Hung-Yang	2014/09/10	23,354	0.12%	-	-	-	-	Fu Jen Catholic University - International Trade	None	-	-	-
Director	Taiwan R.O.C.	CHANG, Chin-Sheng	2015/01/01	42,533	0.02%	103	-	-	-	National Kaohsiung Marine College - Marine Engineering Management	None	-	-	-

Title	Nationality	Name	Post Beginning Date	Shareholding		Shareholding of Spouse and Minors		Shareholding under Other's Name		Educational & Experiences	Post in other company concurrently	Manager who is a spouse or a relative within two generations		
Chief Finance Officer	Taiwan R.O.C.	LI, Kuo-Wei	2015/02/01	2,000	0.001%	-	-	-	-	National Chengchi University - Accounting	Note 7	-	-	-
Plant Manager	Taiwan R.O.C.	CHUNG Hsuan-Tung	2004/10/01	2,000	0.001%	-	-	-	-	Aletheia University – Industrial	None	-	-	-
Manager of Administration Dept.	Taiwan R.O.C.	TSAI, Yen-Fen	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	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 ALLEGION Fu Hsing Holdings., LTD., a director of Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.), the President of 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 of 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 Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.), the Vice Chairman of Fortress Industrial Co., Ltd., and a director in Fortress Door Control Product (Changshu) 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 Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.), and a director in Tong Hsing Enterprise Co., Ltd.

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

Note 5: Is concurrently the President of Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.), a supervisor in ARCTEK Industrial Co., Ltd., a director in Fortress Industrial Co., Ltd., and a director in Fortress Door Control Products (Changshu) Co., Ltd.

Note 6: Does not take any position in other companies. Was dismissed in August 2015.

Note 7: 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., and a supervisor in Tong Hsing Enterprise Co., Ltd.



## Remuneration Range Table

Remuneration range for directors of the company	Name of Director			
	The total of first four remunerations (A+B+C+D)		The total of first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report
Less than NT\$2,000,000	-	-	-	-
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (representative of Hong He Investment Co., Ltd.) LIU, Ju-Shan (representative of Fu Zhi Investment Development Co., Ltd.)	LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho (Representative of Hong He Investment Co., Ltd.) LIU, Ju-Shan (Representative of Fu Zhi Investment Development Co., Ltd.)	LIU, Ju-Shan (Representative of Fu Zhi Investment Development Co., Ltd.)	LIU, Ju-Shan (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.)	Michael A.Hoer (Representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer (Representative of Fu Zhi Investment Development Co., Ltd.)
NT\$10,000,000 (including)~NT\$15,000,000 (excluding)	-	-	CHEN, Chien-Kun CHU, Jung-Ho (Representative of Hong He Investment Co., Ltd.)	CHEN, Chien-Kun
NT\$15,000,000 (including)~NT\$30,000,000 (excluding)	-	-	LIN, Jui-Chang	LIN, Jui-Chang CHU, Jung-Ho (Representative of Hong He Investment Co., Ltd.)
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	-	-	-	-
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

## 2. Remuneration paid to supervisors

Unit: NTD1,000

Title	Name	Remuneration paid to supervisors						Summation of A, B and C to NIAT (%) (Note 2)		Remuneration received from investments in other subsidiaries
		Remuneration (A)		Compensation(B)		Business Incurred Fees (C) (Note 1)		The Company	All Companies under the Consolidated Report	
		The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report			
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen Hsing	-	-	4,500	4,500	66	66	0.57%	0.57%	None
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	-	-	4,500	4,500	66	66	0.57%	0.57%	None

Note 1: Included travelling expense of \$66.

Note 2: NIAT referred to the net earnings after tax of \$796,103 in 2015.

### 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 under the Consolidated Report
Less than NT\$2,000,000	-	-
NT\$2,000,000 (including)~NT\$5,000,000 (excluding)	LIN, Wen-Hsing (Representative of Fu Yuan Investment Co., Ltd.) HUANG, Fu-Ti (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.)
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	2	2

### 3. Remuneration paid to President and Vice President

Unit: NT\$1,000

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)		Employee's stock option obtained (shares)		New Shares obtained as Employee Bonus with Limited Rights		Remuneration received from investments in other subsidiaries
		The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company		All Companies under the Consolidated Report		The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	The Company	All Companies under the Consolidated Report	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus							
President	CHEN, Chien-Kun	11,837	15,942	1,360	1,360	1,346	2,010	23,342	-	23,342	-	5.37%	6.04%	-	-	-	-	None
Group President	LIN, Teng-Tsai																	
Group President	CHU, Jung-Ho																	
Vice President	CHANG, Jui-Pi																	
Vice President	WANG, Han-Ting																	

Note 1: Was a reserve account for retirement benefits in 2015, which was not yet paid.

Note 2: Included assigned business car expense \$1,703

Note 3: NIAT referred to the net earnings after tax of \$796,103 in 2015.

### Remuneration Range Table

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

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

Fiscal Year 2015/ 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	-	29,888	29,888	4.23%
	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 (Note 3)	CHIANG, Hung-Wei				
	Director	LIN, Tzu-Hsuan				
	Director	LIN, Shih-Huang				
	Director	CHANG, Chin-Sheng				
	Plant Manager	CHUNG, Hsuan-Tung				
	Chief Finance Office	LI, Kuo-Wei				

Note 1: According to Remuneration Committee's Letter Tai-Cai-Zheng-San-Zi No.0920001301, dated March 27th, 2003, the applicable range for managers is ruled as the following:

- (1) President and similar rank
- (2) Vice President and similar rank
- (3) Director and similar rank
- (4) Financial Department managers
- (5) Accounting Department managers
- (6) Other personnel that have administrative power over the company affairs or have the right of signature.

Note 2: NIAT referred to the net earnings after tax of \$796,103 in 2015.

Note 3: Director CHIANG, Hung-Wei was dismissed from the position in August 2015.

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 2015 company report and consolidated report .	Proportion of net profit distributed to the company's directors, supervisors, President and Vice President in the 2014 company report and consolidated report .
Directors	6.11%	8.38%
Supervisors	0.57%	0.49%
President & Vice President	6.04%	7.26%

Total remunerations paid to the company's Chairman, President, and Vice President includes the basic salary, allowance for additional duty and meal. 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.

### (3) Corporate Governance Practices

#### 1. Information on the operation of Board of Directors

During the fiscal year 2015, 5 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	5	0	100%	
Director	CHEN, Chien-Kun	5	0	100%	
Director	Representative of Hong He Investment Co., Ltd.: CHU, Jung-Ho	5	0	100%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: Michael A.Hoer	3	0	60%	
Director	Representative of Fu Zhi Investment Development Co., Ltd.: LIU, Ju-Shan	5	0	100%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: LIN, Wen-Hsing	4	0	80%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	5	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.

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: Not applicable.

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...):

Directors to pursue further education: attended seminars of "How Corporates Can Do Their Best in the Practices of CSR", "Shareholder as a company director or supervisor to response to the halved dividend tax deduction", "The Must Have Risk Management Mechanism for Business Operations", "The Must Have Risk Management Mechanism for Business Operations", "Seminar for Public Company's Directors and Supervisors in Discussing Corporate Integrity's Risk Control and New Horizon of Social Responsibilities", and "Corporate Governance Forum – To Open Up Corporate's Future Competitiveness: Corporate Social Responsibility" and "Seminar to Promote regulations governing the trading of shares by public companies' insiders" held by the Taiwan Academy of Banking and Finance, and the seminar of "Implementation of Business Audit to Enhance Corporate Value" held by "The Institute of Internal Auditors-Chinese Taiwan".

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.

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

2. Information relating to the operation of Auditing Committee: Not Applicable.

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

During the fiscal year 2015, 5 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	4	80%	
Supervisor	Representative of Fu Yuan Investment Co., Ltd.: HUANG, Fu-Ti	5	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...):

Besides the communication during Board of Director's Meetings or Shareholder's Meetings, when there is a need of communication, the company's staffs or shareholders can also reach and communicate with the supervisor through agent for stock affairs at any time. 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 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. In addition, supervisors 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.

1. 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 (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	Yes	No	Summary & Explanation	
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 not yet established corporate governance related practice principles, but the company has set up practice principles for ethical operation and corporate governance’s self-assessing report, and such rules are smoothly implemented.	No significant divergence
1. 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 not yet set up internal work procedures, but the company has appointed spokesperson and acting spokesperson to deal with suggestions, disputes and other problems arising from shareholders.	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.	No significant divergence
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.	No significant divergence
D. Whether the company establishes internal regulations to prohibit insiders from utilizing un-disclosed information to purchase/sell securities?	✓		D. The company has set up “Work Procedures to Handle Significant and Important Information”.	No significant divergence
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. The company has not yet established rules for the diversity of the members of Board of Directors and so unable to carry out the rules. But such rules are under planning.	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?		✓	B. The company has not yet set up other similar kinds of functional committee, but such is under planning.	No significant divergence
C. Whether the company sets up Board of Director’s performance evaluation rules and method and carries out the evaluations regularly each year?		✓	C. The company has not yet established Board of Director’s performance evaluation rules and method, but such is in evaluation.	No significant divergence
D. Whether the company periodically evaluates the independence of the company’s certifying accountant?	✓		D. 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	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 &amp; Explanation</u>	
			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 March 21, 2016. (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 are evaluated and summarized.	
4. Whether the company establishes communication channels with interested parties, and whether the company constructs a web area 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 webpage for interested parties (in Chinese) under the section of Social Responsibility. We do respect all's legitimate rights and interests.	No significant divergence
5. 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
6. Information Disclosures A. Whether the company constructs a website and discloses information about the company's financials and corporate governance? 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...)	✓  ✓		A. The company has a company website ( <a href="http://www.fuhsing.com.tw">www.fuhsing.com.tw</a> ) . Under the Investor Relations section, one can inquire about the company's financials, annual reports and share prices. Under the Products section, pictures of our products are also exhibited. B. The company has assigned a staff to collect and disclose the company's information and truly carries out the spokesman system.	No significant divergence  No significant divergence
7. Whether the company has other important information that might help understand the operation of corporate governance (including but not limiting to information regarding to employees' rights, the consideration for employees, investor relationship, supplier relationship, relationship with interested parties, director and supervisor' s further education pursuit, risk management policy and risk measurement implementation, customer policy, insurance procured for directors and	✓		1. The company encourages employees to communicate directly with the management to properly reflect their suggestions on important decisions regarding the company's operation or employee's benefit. 2. On the company's website ( <a href="http://www.fuhsing.com.tw">www.fuhsing.com.tw</a> ) , information about the company, corporate social responsibility, products, investor relationship, join us (recruiting information), supplier platform are listed in separate sections. Also our contact	No significant divergence  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 &amp; Explanation</u>	
supervisors, and etc···)			<p>information including emails, telephone number, and address can be found on the website.</p> <p>3.The company has established an e-filing work system to provide investors and interested parties with information that might affect their decision.</p> <p>4.The company’s directors and supervisors attend educational trainings with a fixed schedule.</p> <p>5.Risk management policy and the implementation of risk measurement: Not applicable (this is for securities brokers).</p> <p>6.Consumer protection or the implementation of customer policy: Not applicable (this is for securities brokers).</p> <p>7.The company does not purchase any liability insurances for directors and supervisors.</p>	<p>No significant divergence</p>
8. Whether the company has corporate governance self-assessment report or entrusts other professional institutions to issue the corporate governance assessment report? (If yes, please also state Board of Director’s comments, self-assessment results or assessment results issued by entrusting institutions, significant deficiencies or suggestions and the improvements.)		✓	The company neither issues any corporate governance self-assessment report nor entrusts other professional institutions to issue the corporate governance assessment report. However, the company does have self-assessing procedures on the implementation of internal control system.	No significant divergence

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

(1)Members of the Remuneration Committee

Identity	Condition Name	Having at least 5 years working experiences and professional qualifications listed below			Conditions of Independence (Note 2)								Number of concurrent duties in other public companies as independent directors	Remarks (Note 3)
		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		
Others	CHEN, Chin-Chi		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	CHANG, Ling-Ling		✓		✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	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) Operation of the Remuneration Committee.

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

2. Committee member's term of office:

1<sup>st</sup> committee member's term of office: From Dec. 19<sup>th</sup>, 2011 to Jun. 15<sup>th</sup>, 2014

2<sup>nd</sup> committee member's term of office: From Aug. 8<sup>th</sup>, 2014 to Jun. 17, 2017

3. In current fiscal year, 4 meetings were held (A). The committee member's status and attendances are as follows:

Title	Name	Attendance in Person (B)	Attendance in Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	CHEN, Chin-Chi	4	0	100%	-
Member	CHANG, Ling-Ling	4	0	100%	-
Member	CHEN, Yung-Chun	3	0	75%	-
<p>Other matters that should be noted:</p> <p>1.If the Board of Directors does 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): None.</p> <p>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: None.</p>					

6. The implementation of Corporate Social Responsibility

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 &amp; Explanation (Note 2)</u>	
<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 trainings 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>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>A.The company has established a “Corporate Social and Environment Responsibility (SER) Execution Booklet” and truly implements the corporate responsibilities based on the booklet.</p> <p>B.The company conducts SER-related education trainings per annum.</p> <p>C.The company has established a SER Promoting Committee to be responsible for the planning, promotion, inspection, review, and improvement of the company’s social and environment policies. The committee is directly under the jurisdiction of the President. All the policies made are announced and promulgated to all the related parties after obtaining approvals from the Chairman.</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 higher salaries and remunerations.</p> <p>The overall pay includes salary, rewards and employee compensation. Employee’s salary is determined by his education background, past experiences, individual’s professional ability, and work performance. 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>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</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 create less impact to the environment?</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</p>	<p>No significant divergence</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 &amp; Explanation (Note 2)</u>	
B. Whether the company establishes a proper environment management system based on the industry characteristics? 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 green house gas production?	✓  ✓		<p>promoting the execution efficacy on promoting resources utilization efficiency:</p> <ol style="list-style-type: none"> <li>1. Water conservation proposal: a continuous execution in reducing water usage in cleaning and manufacturing procedures.</li> <li>2. Energy saving proposal: the execution includes replacing old lighting system with energy saving lighting facilities, reducing electric power used in the manufacturing procedures, and continuously reducing the plant's electricity usage.</li> <li>3. Alternative fuel proposal: replacing heavy oil with natural gas to be the process fuel to reduce impact to the environment.</li> <li>4. Wastage reduction proposal: improving manufacturing facilities, reducing the use of sandpaper and packaging materials.</li> </ol> <p>Also the company brings up a proposal to replace VOCs solvents to reduce stationary air pollution sources and its impact to the environment.</p> <p>B. The company's Environmental Protection Promotion System has obtained ISO 14001 certifications and is verified regularly every year.</p> <p>C. The company has an environmental protection strategy that connects to the concepts of saving energy, reducing carbon and green house air production:</p> <ol style="list-style-type: none"> <li>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 continuous improvement, so as to reduce environmental impacts.</li> <li>2. To strengthen the improvements on manufacturing procedures, intensify the control on pollution prevention facility's work procedures, periodically examine work procedures as environmental protection regulation requested and make sure the regulations are met.</li> <li>3. To save energy and reduce carbon production. Resources are recycled and reutilized to reduce the consumption wastes and solidify pollution prevention system.</li> <li>4. To strengthen education training and promote all employees' environmental awareness in order to fulfill our</li> </ol>	<p>No significant divergence</p> <p>No significant divergence</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 &amp; Explanation (Note 2)</u>	
			responsibility to the environment.	
<p>2.The Care for Social Welfare</p> <p>A.Whether the company makes related management policy and procedures according to laws and International Bill of Human Rights?</p> <p>B.Whether the company constructs complaint mechanism and channels for employees and properly handle employee’s complaints?</p> <p>C. Whether the company provides a safe and healthy work environment to employees and regularly holds employee’s safety and health education training?</p> <p>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?</p> <p>E.Whether the company establishes effective professional skill development training plans for employees?</p> <p>F.Whether the company develops related consumer rights protection policy and complaint procedures in the light of R&amp;D, procurement, production, work, and service procedures?</p> <p>G. Whether the company follows regulations and international standards to market and label the company’s products and services?</p> <p>H.Whether the company assesses supplier’s past record to verify the supplier did not have bad history in influencing the environment and the society before the company takes the supplier?</p> <p>I.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>A.The company’s regulations and management system not only meets conditions requested by laws and regulations but also treats all the employees fairly and protects all’s labor rights.</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 labor 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.</p> <p>D.</p> <p>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 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</p>	<p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</p>

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	<u>Yes</u>	<u>No</u>	<u>Summary &amp; Explanation (Note 2)</u>	
			<p>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 trainings, 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. 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>G. 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>H. Fu Hsing evaluated 24 suppliers in 2014, among which 18 were qualified and 9 new suppliers signed "Social and Environment Responsibility Statement". Up until the end of 2014, there were 38 suppliers in total signed the "Social and Environment Responsibility Statement" with Fu Hsing.</p> <p>I. During the 2015 fiscal year, there was no supplier relationship termination due to social impacts by the company or its suppliers.</p>	<p>No significant divergence</p>
<p>4. Information Disclosure Enhancement</p> <p>A. Whether the company discloses relevant and reliable CSR related information on the company's website and on the Market Observation Post System?</p>	✓		<p>A. The company discloses a Sustainable Operation Reporting on the company's website (<a href="http://www.fuhsing.com.tw">http://www.fuhsing.com.tw</a>) and also discloses related information on the M.O.P.S. system of the Taiwan Stock Exchange.</p>	<p>No significant divergence</p>
<p>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.</p>				
<p>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 8<sup>th</sup> consecutive years and has gained praises</p>				

List of <u>Assessments</u>	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary &amp; Explanation (Note 2)</u>	
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: In response to the government's policy promulgation, the company has voluntarily completed the CSR report based on the 4 <sup>th</sup> version of Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI). The 2014 Taiwan Fu Hsing Corporate Social Responsibility Report has been AA1000 verified by the SGS in October 2015. The updated content can be downloaded in the company's official website in the following address: "2014 Taiwan Fu Hsing Sustainable Operation Reporting". The reporting file can be downloaded from the company's website in the following web address: <a href="http://www.fuhsing.com.tw/proimages/Taiwan_Fu_Hsing-CSR-fin(20151230-1).pdf">http://www.fuhsing.com.tw/proimages/Taiwan_Fu_Hsing-CSR-fin(20151230-1).pdf</a>				

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

List of <u>Assessments</u>	Implementation Status (Note 1)			Divergence from the regulated Best Practices and Reasons of the Divergence
	<u>Yes</u>	<u>No</u>	<u>Summary &amp; Explanation</u>	
1.Ethical Management Policy and Plan 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? 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? C.Whether the company adopts any prevention programs to forestall any activity stated in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other operation activities that might have higher unethical conducts in other business scope?	✓		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.	No significant divergence
	✓		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).	No significant divergence
	✓		C.For assuring the implementation of ethical operation, the company has established effective accounting system and internal control system. The internal audit personnel also regularly inspect and review the compliant status.	No significant divergence
2.Ethical Operation Implementation 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? B.Whether the company establishes a unit that is exclusively		✓	A.The company has not yet set up ethical behavior clauses in business contracts with corresponding parties. But this is under planning. B.The company has not yet set up a special unit that is	No significant divergence 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 &amp; Explanation</u>	
<p>(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 trainings in the light of ethical operations?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>exclusively responsible for corporate social responsibility. All the groups and departments carry out the corporate social responsibility according to their functions and operations.</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 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 holds regular training and refreshing training in relation to social and environment responsibility. Contents of the training also include the principles of corporate ethical operations.</p>	<p>No significant divergence</p> <p>No significant divergence</p> <p>No significant divergence</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>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>✓</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> <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</p>	<p>No significant divergence</p> <p>No significant divergence</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 &amp; Explanation</u>	
			prevent the complainant from differential treatments.	
4. Information Disclosure Enhancement A. Whether the company discloses the contents of ethical operation criteria and the implementation efficacy on the company's website and on the Market Observation Post System?	✓		The company has established "Guidance for Ethical Operation Procedures and Behaviors" and disclosed 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.	No significant divergence
5. If the company follows "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" to establish the company's ethical management rules, then the company should also state the implementation status and the divergence between the real practices and the rules: None.				
6. Other important information that might help to understand the operation of ethical management practices: A. The company follows the regulations and rules stated in the Company Act, Securities and Exchange Act, Business Entity Accounting Act, related chapters for TWSE/GTSM listed companies and regulations relating to other commercial behaviors and takes such rules and regulations as basis to carry out ethical management practices. B. The company has established Board of Director's conflict of interest system in its "Rules of Procedures for Board of Director's Meeting". During the Board of Director's Meetings, if any director or director's represented corporation has conflict of interest on motions submitted on the meeting and such conflict of interests matter may bring risks to harm the company's benefit, then the director must state his comment on the motions and answer all related question. Besides, the director should not enter in to the motion's discussion or voting and should avoid his presence while the motion is brought up for discussion and voting. He cannot execute any voting right on the motion even if acting for directors. C. The company has established "Management Procedures to Prevent Insider Trading". The company carries out education trainings and guidance on the company's directors, 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: None.

10. Corporate governance related continuing education listed below were courses taken by managers:

Department of Accountancy, NCKU – the 16<sup>th</sup> term of the Continuing Education Courses for Accounting Supervisors.

11. The implementation of internal control system.

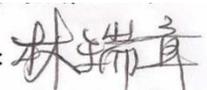
(i) Statement of Internal Control System

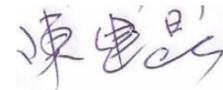
Date: March 21<sup>st</sup>, 2016

The company has conducted a self-assessment of internal controls for the year of 2015. The results are as follows:

- 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. 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 in light of above-mentioned internal control system 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. 31<sup>st</sup>, 2015, including the acknowledgement on 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 2, 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 21<sup>st</sup>, 2016 with 5 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) Shareholders' Meeting

Date	Important Resolutions	Execution Status
June 17 <sup>th</sup> , 2015	Adoption of the 2014 business report, financial statements and earnings distribution proposal.	On Jun. 29 <sup>th</sup> , 2015, the Chairman resolved to set the ex-dividend date on Jul. 22 <sup>nd</sup> , 2015 and Aug. 14 <sup>th</sup> , 2015 as the cash dividend distribution date.

(2) Board of Director's Meeting

Date	Important Resolutions
Mar. 20 <sup>th</sup> , 2015	Acknowledgement on the 2014 Business Report and Financial Statements
	Proposal of 2014 earnings distribution is brought up for discussion.
May 11 <sup>th</sup> , 2015	Draft on the 2015 earnings allocation percentage for directors and supervisors' remuneration.
	Discussion on the amendments of partial articles of the Guidance for Ethical Operation Procedures and Behaviors.
	Discussion on the amendments of partial articles of the "Rules of Procedures of the Shareholders' Meeting".
Nov. 9 <sup>th</sup> , 2015	Discussion on the amendments of partial articles of the "Companies to improve the preparation of its own financial reporting capability plan".
	Discussion on the amendments of partial articles of the "Application to suspend and resume trading operating procedures".
	Discussion on the amendments of partial articles of the company's "Article of Incorporation".
Mar. 21 <sup>st</sup> , 2016	Review of "2015 Employee Benefit Distribution Project".
	Review of "2015 Directors and Supervisors' Remuneration Distribution Project".
	Acknowledgment of 2015 Financial reports.
	Resolution of the 2014 earnings distribution proposal.
	The Review and Appointment of the fiscal year's Certifying accountants' dependence and suitability.

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

## (5)Information on certifying accountants

Name of Accounting Firm	Name of Accountant		Review Period	Remark
PwC Taiwan	LIAO, A-Shen	LIU, Tzu-Meng	2015	

## (6)Information on certifying accountant's professional fees

## 1.Information on accountant's professional fees

Monetary unit: NTD1,000

Fee Range		Type	Audit fee	Non-Audit fee	Total
1	Below NT\$2,000		-	600	600
2	NT\$2,000 (including)~NT\$4,000		3,660	-	3,660
3	NT\$4,000(including)~NT\$6,000		-	-	-
4	NT\$6,000 (including)~NT\$8,000		-	-	-
5	NT\$8,000(including)~NT\$10,000		-	-	-
6	NT\$10,000 and above		-	-	-

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

Monetary 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	LIAO, A-Shen	LIU, Tzu-Meng	\$3,660	-	-	-	\$600	\$600	2015	Transfer pricing \$600

Note: the company does not have any of the conditions listed in Article 10-5-1 of the Regulations Governing Information to be published in Annual Report of Public Company that requires further disclosure.

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	2015		Jan. 1 <sup>st</sup> , 2016 ~ Mar. 31 <sup>st</sup> , 2016	
		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 Hong He 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 Fu Zhi Investment Development 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
Director	CHANG, Chin-Sheng	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 <sup>nd</sup> degree relative as stated in No.6 of the Accounting Standard		Remark
	Shares	%	Shares	%	Shares	%	Title / Name	Relationship	
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.	-
LIN, Chao-Hung							Fu Ding Investment Enterprise, Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Lian Guang Investment Co.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Sheng International Investment Co., Ltd.	A 2 <sup>nd</sup> 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	-
LIN, Wen-Hsing							Fu Zhi Investment Development Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Hong Cheng Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Sheng International Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
Chinatrust Commercial Bank Trust Account	8,000,000	4.25%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	7,631,000	4.05%	-	-	-	-	-	-	-
Hong Cheng Investment Co., Ltd.	5,721,451	3.04%	-	-	-	-	Fu Zhi Investment Development Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung	-
LIN, Chao-Hung							Fu Ding Investment Enterprise, Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Lian Guang Investment Co.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Sheng International Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-

Fu Xun Investment Co., Ltd.							Fu Zhi Investment Development Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Ding Investment Enterprise, Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
CHANG, Jui-Pi	5,497,4300	2.92%	-	-	-	-	Hong Cheng Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Lian Guang Investment Co.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Sheng International Investment Co., Ltd.	The company's Chairman is the spouse's relative	-
Lian Guang Investment Co.							Fu Ding Investment Enterprise, Co., Ltd.	Both companies' Chairman is LIN, Wen-Hsing	-
							Fu Zhi Investment Development Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
	4,210,417	2.23%	-	-	-	-	Hong Cheng Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
LIN, Wen-Hsing							Fu Xun Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Sheng International Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
Fu Yang Investment Co., Ltd.									
	4,189,560	2.22%	-	-	-	-			-
SUNG, Chen-Ning									
Fu Sheng Investment Development Co., Ltd.							Fu Zhi Investment Development Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Hong Cheng Investment Co., Ltd.	Both companies' Chairman is LIN, Chao-Hung	-
LIN, Jui-Chang	3,758,000	1.99%	-	-	-	-	Fu Ding Investment Enterprise,	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Fu Xun Investment Co., Ltd.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-
							Lian Guang Investment Co.	A 2 <sup>nd</sup> degree relative with the company's Chairman	-

## (11) Composite holding percentage

Unit: shares / %

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	%
Arctek Industrial Co., Ltd.	2,898	70%	-	-	2,898	70%
FU HSING AMERICAS INC.	300,000	100%	-	-	300,000	100%
MASTER UNITED INVESTMENT GROUP LTD	1,560,000	100%	-	-	1,560,000	100%
FORMFLEX ENTERPRISE CO., LTD	23,704,000	100%	-	-	23,704,000	100%
ALLEGION FU HSING HOLDINGS LTD.	0	49%	-	-	0	49%
ALLEGION FU HSING LTD.	Note 2	49%	-	-	Note 2	49%
Fortress Industrial Co., Ltd.	26,775,000	100%	-	-	26,775,000	100%
Hundure Technology Co., Ltd.	3,513,482	51%	-	-	3,513,482	51%
Tong Sing Co., Ltd.	100,000	100%	-	-	100,000	100%

Note 1: Refers to long term investment under equity method.

Note 2: Not applicable, the company does not issue securities. The stake is shown in %.

## D. 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

Amount	Shareholding structure	Government Institution	Financial Institution	Other Juridical Persons	Individual	Foreign Institutions and Foreign Investors	Total
		Numbers	3	41	61	12,015	70
Shares Held		4,547,000	32,331,050	59,977,618	66,111,864	25,484,638	188,452,170
Shareholding %		2%	17%	32%	35%	14%	100%

## (3)Dispersion of shareholding

Face value NT\$10 per share/Mar. 31, 2016

Range	Number of Shareholders	Number of Shares Held	Shareholding %
1 ~ 999	4,098	688,354	0.37%
10,000 ~ 50,000	6,174	12,892,612	6.84%
50,001 ~ 100,000	957	7,614,183	4.04%
100,001 ~ 150,000	240	3,123,982	1.66%
150,001 ~ 200,000	192	3,590,578	1.91%
200,001 ~ 300,000	162	4,157,765	2.21%
300,001 ~ 400,000	88	3,164,698	1.68%
400,001 ~ 500,000	45	2,117,992	1.12%
500,001 ~ 1,000,000	91	6,591,696	3.5%
1,000,001 ~ 2,000,000	48	6,931,754	3.68%
2,000,001 ~ 4,000,000	27	7,243,011	3.84%
4,000,001 ~ 6,000,000	17	8,382,602	4.45%
6,000,001 ~ 8,000,000	14	9,821,679	5.21%
8,000,001 ~ 1,000,000	5	4,469,490	2.37%
≥1,000,001	32	107,661,774	57.12%
Total	12,190	188,452,170	100.00%

## (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	5.00%
Chinatrust Commercial Bank Trust Account		8,000,000	4.25%
Nan Shan Life Insurance Company Ltd.		7,631,000	4.05%
Hong Cheng Investment Co., Ltd.		5,721,451	3.04%
Fu Xun Investment Co., Ltd.		5,497,300	2.92%
Lian Guang Investment Co., Ltd.		4,210,417	2.23%
Fu Yang Investment Co., Ltd.		4,189,560	2.22 %
Fu Sheng Investment Co., Ltd.		3,758,000	1.99 %

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

List		Year		2014	2015	Current year until Mar. 31th, 2016 (IFRS-Consolidated)
Price per Share	Highest			33.65	59.80	48.45
	Lowest			27.80	30.15	38.60
	Average			30.68	42.38	44.14
Book Value per Share	Before profit distribution			24.37	26.54	27.88
	After profit distribution			22.37	(Note1)	(Note1)
Earnings per Shares	Weighted Average Shares		188,452,170	188,452,170	188,452,170	188,452,170
	EPS			2.7	4.22	0.96
Dividend per Share	Cash dividend			2	2.8	—
	Stock grants	From Retained Earnings		—	—	—
		From Capital Reserve		—	—	—
	Accrued unpaid dividend			—	—	—
Return on Investment	PE Ratio (Note 2)			9.73	10.04	—
	Price to Dividend Ratio (Note 3)			14.98	15.14	—
	Cash Dividend Yield (Note 4)			6.68%	6.61%	—

Note 1: Until the printing date of the annual report, the proposal of 2015 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.

## (5) Dividend policy and the implementation

### 1. Dividend policy

In compliance with the Company's Act amended on May 20, 2015, the Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on November 9, 2015. According to the amended articles, when distributing earnings, the ratio of the current year distributable shall not be lower than 5% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration. If a company has accumulated deficit, earnings should be channeled to cover losses.

Employees' compensation (bonus) can be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash. The requirements are determined by the chairman of Board of Directors. The amended articles will be resolved in the shareholders' meeting in 2016.

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

- a. Shareholder's cash dividend: NT\$2.8 per share (for a total of \$527,666,076).
- b. Employee's bonus: NT\$79,596,500.

c. Remuneration paid to directors and supervisors: NT\$ 15,000,000.

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

(7) 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 will be taken as profit/loss in the following year.

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. Proposal on the Board of Director's Meeting on Mar. 21<sup>st</sup>, 2016: To distribute cash of \$79,596,500 as employee's bonus and \$15,000,000 as remunerations paid to directors and supervisors.

ii. The above mentioned employee's cash bonus and remunerations paid to directors and supervisors do not have discrepancies with the estimated amount in 2015.

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 effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor compensation: \$4.22

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. As resolved in the Shareholders' Meeting on Jun. 17<sup>th</sup>, 2015: The company distributed cash of \$25,000,000 as employee's bonus and \$12,000,000 as remunerations paid to directors and supervisors.

B. The above mentioned employee's cash bonus and remunerations paid to directors and supervisors do not have discrepancies with the estimated amount.

(8) Shares buyback situation: None.

(9) Issuance of corporate bond: None.

(10) Issuance of preferred stock: None.

(11) Issuance of global depository receipt: None.

(12) Employee stock option: None.

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

(14) 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.

## E.The Operations

### 1.Operation

#### (1)Scope of Business

##### a.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.

##### b.Analysis of operation revenues

Item	% of Total Revenue
Door related metal parts	100%

##### c.Current Products and Services

Name of Products	Services
Superior 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

##### d.Planned new products and services

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

- a. Residential complex's access control system
- b. Home automation system product.
- c. Push bottom and touch sensitive electronic lock to provide products with diversified and miniaturized appearances.
- d. To launch of more power efficient and longer battery life push bottom electronic lock products.
- e. The development of lock's surface antibacterial treatment.
- f. Zinc alloy made door lock products with modern design and more diversified appearance.
- g. The expansion the functions of the U.S. ANSI Grade 2 auxiliary locks.
- h. Door locks products that meet U.S. ADA regulations.

- i. Flat bar products with designs that meet all U.S. states' fire regulations.
- j. Door locks products that meet U.S. new standards (GA/GB/GC).
- k. The development of U.S. highest grade, ANSI Grade 1, panic exit device (for commercial and heavy type).
- l. 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. Europe's EN certified gate selector products with electronic functions.
- c. Door closers that meet U.S. ANSI Grade 1 standard.
- d. Door closer arranging in pairs with electronic accessories.
- e. EU standard heavy type door/floor hinge related products.
- f. EU standard modified floor hinge for quick installing on glass doors.

(2)The industry

a.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 and convenient 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.

After the 2008 financial crises, the U.S. housing market gradually recovers, driving the need for door type hardware products. Also, the increasing cost of land and changes in house purchasing habits make the market of residential complex become the leading product in current market. Thus, how to provide door lock product according to market demands timely is going to be one important lesson in developing door lock products.

In addition, thanks to the maturity of electrical technology, the cost for door lock's electronization gradually decreases. With the promotion by the major distribution channels and our devotion in developing the brand image, the acceptance of electric door lock products in the U.S. DIY market has been significantly improved, and suppliers received greater flexibility in product mix and pricing strategy relatively.

Taiwan now has higher level production technology and R&D capability. Moreover, robust and elastic marketing strategies and internationalized professional division of labor in production operation has enabled Taiwan's lock manufacturing industry to become the market leader in global markets.

b. Interrelationship of the upstream, midstream and downstream industries

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

c. Product development trend and market competitions

(a) High end door lock and panic exit device business

i. 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 collocability 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.

ii. Market competition

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

◆ 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.

◆ 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 retail channels (for DIY demands) such as Home Depot, Lowe's, Wal-Mart, etc... The major suppliers for this segmentation are Taiwan Fu Hsing Industrial Co., Ltd. and Tong Lung Metal Industry Co., LTD. and others.

◆ 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.

### (3) Profile of technology and R&D

In the current year (2015), the company invested in 192,504 thousand dollars in R&D. Also, the company obtained 25 domestic patents and 43 international patents, for a total of 68 patents domestically and internationally for the year. The accumulated number of patents obtained is nearly 900.

### (4) Long-term and Short-term business development plan

After a few years of repairing works on the subprime mortgage caused global economic depression and financial crisis, the new house market and architectural market gradually recovers. There is continuous good news reporting the good recovery of such markets, and door related hardware market also starts to boom. Retail replacement market customers gradually replenish and increase their inventory level and more consumers attempt to redecorate their houses. Besides, the demand of new houses (especially the residential complex) also rebounds significantly. All these are exciting signs showing the market is recovering now.

The company would like to catch the good opportunity to keep enhancing the company's competitive strength in four directions including products, pricing, branding, and channels, and continue to solidify and strengthen current OEM and ODM customer's marketing channels. Besides, 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

(a) The development of electronic locks will be further cultivated in two directions, including the "basic kinds products" and "high-end products".

- To develop the basic kind of products (to deep root in the market and expand the market share): to provide good and sufficient functioned products with friendly pricing to attract first-time electronic lock users. Such electronic lock products have short life cycle and short replacement period. We will launch such products with various designs to segment the market demands (like demands from retail channel or builder's channel) in order to increase the market share.

- To continue developing high-end products (move upward by connecting with wireless communication system and biotechnology): even to lead or guide our customers to follow Fu Hsing to catch the development trend of electronic technologies like smart phone, Bluetooth, NFC, touch screen, biometric systems, and so on.

(b) To develop various grades of door lock products according to ANSI's newly regulated standard on family locks in order to meet the demands from different customer bases.

(c) In the area of traditional mechanical lock, the design is focused on two main themes including "classical design" and "contemporary avant-garde design" to meet with demands from different

sectors.

(d) To keep maintaining good competition relations with all other global major door lock groups, well-utilize our supply chain advantage and keep advancing our production capability to maintain close cooperation with all others.

b. As for pricing strategy: by our cost advantages in scale business and long-term experiences in consumer habits, we use different packaging design strategy and product mix to launch limited quantity promotions regularly.

c. as for brand strategy: besides continuously enhancing the cooperation with EU, U.S. and Japan's dominant distribution channels and OEM brands, Fu Hsing is further integrating our 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:

(a) Continue to expand product depth and width in the main retail channels. Besides expanding product lines in traditional storefronts and sell products with customers through multiple channels, on-line shop interface is further enhanced to provide real-time information updates in order to promote consumer's on-line shopping experiences and create a win-win situation.

(b) Look for cooperation opportunities with non-traditional door lock's marketing channels like 3C's retail channel or extend the cooperation with the manufacturers and suppliers of home security system.

## 2. Market and the Production-Marketing Situation

### (1) Major marketing area and the market share

The company targets at marketing to global market. The exporting amount was about 94% of the company's total revenue. Among the export sales, sales to the North America market (the U.S. and Canada) was the largest part and accounted to 62% of total export sales. Others such as sales to Europe were about 9% and to other areas (Asia, Central South America, and New Zealand and Australia) was about 30%. 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

a. In North America, the demands in new house, retail and construction market are expected to continue growing, which will pose a significantly positive effect in the company's sale in major products.

b. In EU market: Is expected to maintain at last year's performance.

c. In South-East Asia and Central South America: Products that are made in China have strengths in

preferential tariff and low pricing, thus Fu Hsing will segment the market and discover a growth area by strengthening our products' added-value and competitiveness.

d. In New Zealand and Australia markets: With the promotion of new products and development of new projects and new clients, the company expects the demand in these markets can continue to grow.

e. In 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.

f. In emerging markets: This will include 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

#### a. 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 2<sup>nd</sup> and 3<sup>rd</sup> 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. Fu Hsing still invests in plant automation for all Fu Hsing's plants. This will help complete the lean production strategy and further enhance Fu Hsing products' added-value, quality and competitiveness.

#### b. Unfavorable factors

A. China secondary product's low-price competition results in the irrational pricing competition in the market.

B. The fluctuation of exchange rate: although sometimes we do enjoy the forex gain, there are still risks of huge forex loss.

C. Technology changes all the time. Electronic product's life cycle is relatively short.

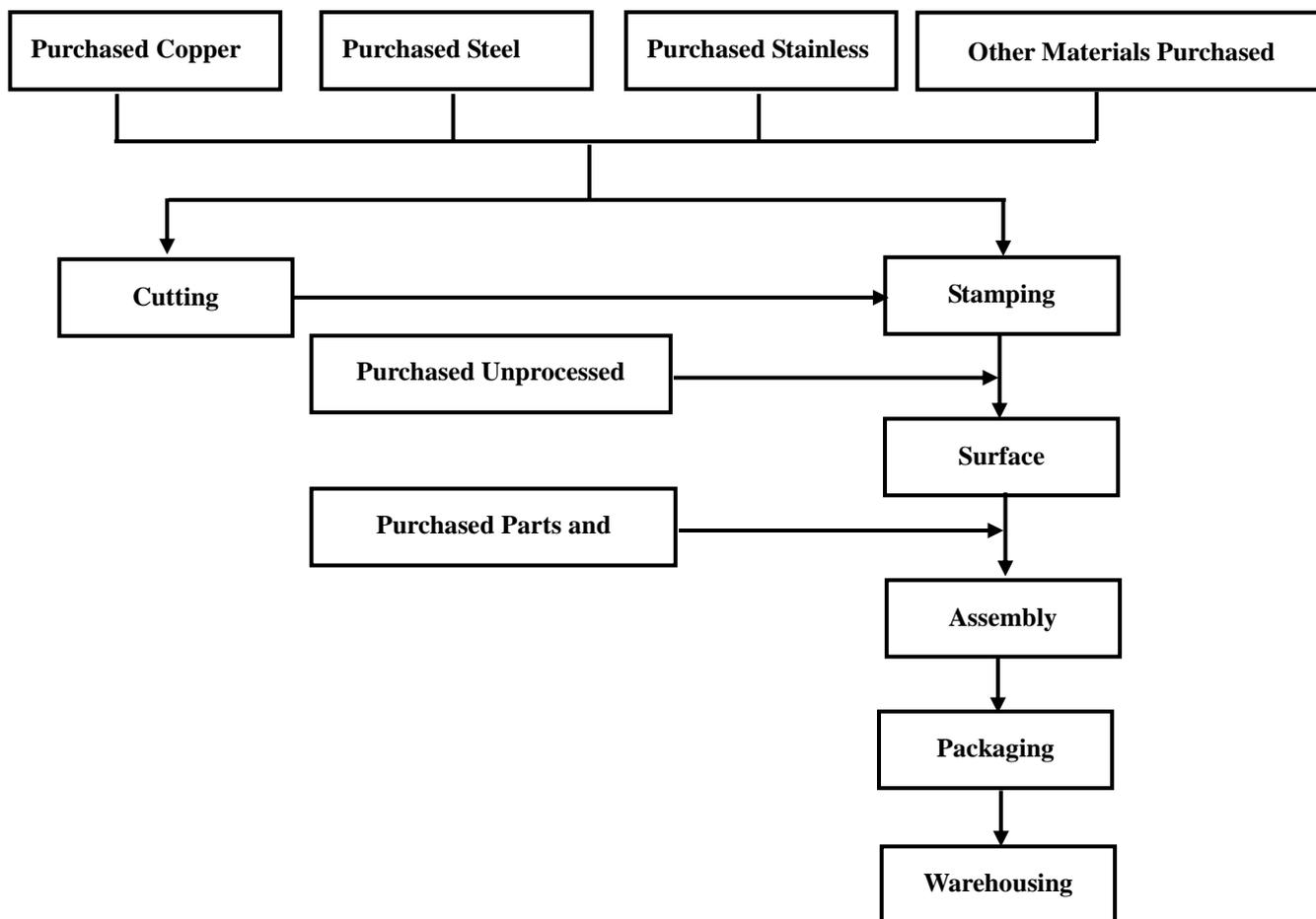
The international political and economic situation changes all the time. By holding the spirit of vigilant operation, Fu Hsing will continue to utilize its R&D design and lean production to decrease

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 more efforts in.

(4) Important functions of major products and the production process

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

**Production process of metal door locks**



5. Supply of major raw materials

Product Name	Major Materials		
	Name	Source	Supplying Condition
Door locks and related metal accessories	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. Shin Long Precision Die Casting Co., Ltd. Xu Xiang Aluminum Co., Ltd. Nice Hong Ya Industrial Co., Ltd.	Good

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

a.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	2015				2014				2016 until the preceding quarter of the printing date			
	Name	Amount	% of total procurements in the year	Relation to the Issuer	Name	Amount	% of total procurements in the year	Relation to the Issuer	Name	Amount	% of total procurements in the year	Relation to the Issuer
	Others	\$6,006,372	100%	-	Others	\$5,469,020	100%	-	Others	\$1,403,829	100%	-
	Net Purchase	6,006,372	100%		Net Purchase	5,469,020	100%		Net Purchase	1,403,829	100%	

b.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	2015				2014				2016 until the preceding quarter of the printing date			
	Name	Amount	% of total sales in the year	Relation to the Issuer	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	\$1,558,057	20%	None	Customer C	\$1,295,806	18%	None	Customer C	\$401,440	20%	None
2	Customer B	970,391	12%	None	Customer B	920,394	13%	None	Customer B	288,818	15%	None
3	Customer D	870,645	11%	None	Customer D	952,812	13%	None	Customer D	275,064	14%	None
	Others	4,587,461	57%	-	Others	3,905,740	56%	-	Others	1,012,119	51%	-
	Net Sales	7,986,554	100%		Net Sales	7,074,752	100%		Net Sales	1,977,441	100%	

(7) Production volume and value over the past two years

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

Product volume & value Main Product		2015		2014	
		Volume	Value	Volume	Value
Door related Metal Parts		41,933	\$6,377,587	39,848	\$5,327,162
Total		41,933	6,377,587	39,848	5,327,162

(8) Sales volume and value over the past two years

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

Sales volume & value Main product		2015				2014			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Door related Metal Parts		1,737	\$563,764	40,050	\$7,422,790	1,745	\$529,980	38,797	\$6,544,772
Total		1,737	563,764	40,050	7,422,790	1,745	529,980	38,797	6,544,772

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		2014	2015	Jan. 1 ~ Mar. 31, 2016
Total Number of Employees	Director Labor	1,466	1,499	1,549
	Indirect Labor	641	656	648
	Management	223	212	216
	Total	2,330	2,367	2,413
Average Age		30.62	37.54	37.50
Average Year of Service		3.26	4.58	4.67
Education Analysis	Doctor	1	1	1
	Master	38	47	46
	University	719	766	771
	High School	898	777	753
	Below High School	674	776	842

4. Expenditures on environmental protection

a. 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 improvement to reduce impact to the environment, there were no significant issues in the recent two years.

b. 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.

c.Responding actions

(a)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. The company will keep promoting the environment management system and upgrading pollution prevention facilities to reduce impacts to the environment due to its manufacturing process, and for a further step to enhance the company image and market competitiveness.

(b)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.

d.Projected expenditures

The projected expenditures in the next 2 fiscal years

Unit: NT\$1,000

Name of Facility	2016	2017
The improvement and operation of air pollution prevention facility	3378	568
The improvement and operation of water pollution prevention facility	3832	1784
Removal and process of business wastes	1600	1603

5.Work environment and measures adopted to protect employee’s safety

(1)Specific manners adopted to manage labor safety and health

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

No.	Direction	Plan	Specific Manner
1	Set up Safety and Health Bulletin and Policy	Set up safety and Health Bulletin and Safety and Health Policy	Establishes “Safety and Health Bulletin” and makes “Safety and Health Policy” according to corporate social responsibility and the government regulated safety and health requirements to continuously promote the performance achievement in labor safety and health.
2	Safety and Healthy Management System	Periodically review by the “Safety and Health Management Committee”	According to the guidance of the TOSHMS, the Safety and Health Management Committee periodically review and follow the execution results.
3	Risk assessment and the countermeasures	Assess related risks and makes the control policy	Periodically review related regional manufacturing procedures, work risks and the related regulations. Unacceptable risks and issues that do not meet regulated requirements will be reviewed for improvements, and associated management plan or manner will be made and executed. The execution results will be brought up for discussion in the safety and health meeting.
4	Electricity leakage protection	Facilities to carry out grounding to prevent leakage risks.	Set up grounding for facility’s power system to prevent electricity leakage risk.

No.	Direction	Plan	Specific Manner
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 Labor Safety and Health Committee 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.

## (2)The Implementation of Work Safety Control

a.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.

b.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.

c.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.

d.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.

e.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.

f.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.

g.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 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 2016, the Labor Affairs Bureau of Kaohsiung City Government held the "Good Fortune Enterprise Label Award" for the first time. The activity adopted six labels including "salary, work hours, vacation, gender equity, subsidy, and activity", to evaluate and discover local enterprise with good and friendly HR practices. 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, is highly recognized and received the honor of "Good Fortune Enterprise Label Award".

### (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.

### (2)Stable and healthy labor structure

We value gender equality and make every to treat every employees equality regardless in the appointment or promotion. According statistic records, Fu Hsing in 2014 had 1044 employees, in which 523 were male and 521 were female. The numbers of male and female employees were quite similar.

### (3)Recruitment through multiple channels

Fu Hsing recruits only professional and talented employees. All the recruitment and appointment information are through public and transparent channels. Currently, besides using internet recruitment, such as the 104 Bank in Taiwan, we also flexibly adopt different recruiting channels according to the vacant posts. For example, for the recruitment of direct labors, most of the time we use newspaper advertisement, leaflets, electronic signboard, career station, etc...to publicize the recruiting information. For special, higher level and professional manpower, we also collaborate with high-level manpower agency (head hunters) to recruit. For others, we will look for sufficient and good quality human resources through university's career expo, professional institution's talents recommendation, or through employee's recommendation. 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 to carry out performance evaluation. The Annual Performance Assessment stresses on "objectivity", "Fairness", and "Two-way communication. Besides assessing individual's functional performance, the assessment also considers the unit's KPI achievement, and finally conducts a performance interview. We hope 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. 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 every quarter (in March, June, September, and December). 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 in between to maintain labor-capital harmony and achieve a win-win situation. Also, the company vigorously promotes corporate SER (social and environment responsibility) implementation. The company not only advocates the SER concept with its employees through different seminars and propaganda, but also establishes compliant channels for employees to report any SER violation issues to ensure the implementation and promulgation of the company's SER policy.

During the past fiscal year and current year until the printing date of this annual report, the company did have not any labor disputes, because the company's system follows laws and regulations and actively protects labor rights. In the future, the company expects to maintain the good tradition in keeping harmonious labor-capital relationship.

### (6)Education training

As for employee's training and education, besides establishing "Method to subsidize on-job training in graduate level" and various subsidies provided by the Staff Welfare Committee to various on-job trainings, for encouraging employees to pursue higher education the company also establishes a comprehensive on-job training system to assist employee with professional skills and knowledge and expand their expertise. Comparing to 2014, the education training paid more focus

on a more in-depth and finer training content in 2015. The execution of education training in 2015 is summarized in the following table:

Unit: person / hour / NT\$1,000

Subsidy unit	Training type	Numbers receiving subsidy	Training Hours	Investment amount
The company	External training	456	4,020	13,077
	Internal training	17,118	12,796	1,658
Staff Welfare Committee	Labor fellowship	3	0	6
	Labor education scholarship	3	0	5
Total		17,580	16,816	14,746

The training focuses in 2015 are as follows:

a. Annual maintenance re-training for AEO and SER: the mother company was recognized and certified by AEO as one superior enterprise in 2012 and released our SER Statement at the same year. Each year, the mother company will hold its regular annual re-training cover all the employees in the company to strengthen related notions and secure the execution efficacy. The AEO related training focuses on : physical security and area safety, good safety, business partners' safety, information safety, and procedures for extraordinary situation, etc... The focuses of SER training include code of ethics, labor rights and responsibilities, health and safety, environment protection, complaint channels, etc...

b. Business English class: in mother company, employees that are involving in export or overseas related business are arranged to attend Business English ribbon courses in order to advance their communication and interaction skills with clients. The courses are given in two types, one for managers and superintendents and the other is for commissioner level staffs. Courses designed for manager and superintendents focus on verbal training. English communication and social skills are enhanced through news discussion and culture sharing. Courses designed for commissioner level staffs focus on the training of writing. Foreign teacher is hired to correct and guide the written assignments. Therefore were four superintendents and sixteen commissioners received the training. The overall curriculum has 10 courses extending for four month.

c. The training with regard to the utilization of 8D technique to effectively solve problems: in the mother company, two curriculum sessions were held. The first session is held in the light of all the colleagues in the QC Dept. and some selected colleagues whose posts are team leader or above in our plants. The 2<sup>nd</sup> session is held for colleagues whose posts are team leader or above in our plants. The curriculum is elaborated through case practices, discussions and technology introduction at all the phases. The purpose is to enhance colleagues' 8D utilization ability, strengthen the ability to analyze customer complaints and abnormal situation and promote problem solving ability. There were totaled 76 persons received the training.

d. QCC quality management activities: starting from 2015, the company expanded the scale to promote QCC improvement activity in order to strengthen staff's quality awareness and enhance

cooperation and idea sharing for solving work-site problems or management or cultural related problems. The training included basic courses and field observation activity. The basic course was aimed at case study, logic construction and solving manners to strengthen QCC members' notions and execution power. As for field observation activities, the mother company appointed QCC committees and circle leaders, for a total of 8 persons, to participate in external large-size seminar in order to share other enterprises' cases with the company and apply the useful ideas in the real practices. Such trainings had shown significant effects starting from the 2<sup>nd</sup> half of 2015. There were in total of 9 circles with total improvement benefits of 400,000 New Taiwan Dollars.

e.All subsidiaries on an annual basis also successively planned and carried out new staff training, APQP early phase quality development training, inspectors and lead inspector's course training for ISO9001 & TS 16949 Quality Management System, product training, quality education training, and DDA/ADA educational training in relation to the disabled regulations in EU, North America, and Australia. Fu Hsing considers its employees as one important asset, therefore is devoted to provide a comprehensive training system.

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

a.R.O.C. Accountant: 2 person.

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

(8)A comprehensive staff welfare network:

a.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 2015, the staff welfare expenditures in the mother company were totaled 11.46 million dollars. Besides giving out subsidies, the expenditures were mainly used to hold all kinds of activities, including employee and family tours (1<sup>st</sup> was to the Formosan Aboriginal Cultural Village in Nantou and the Sun Moon Lake, there were 475 participants. The 2<sup>nd</sup> was to Jiaoxi, Yilan and Sanyi, there were 203 participants), Fu Hsing family day (barbecue, pomelo-peeling competition, and children’s fun art contest in Jing Yuan Leisure Farm in Xiaogan, Kaohsiung), the Zonzi relay contest before the Dragon Boat Festival, year-end dinner gathering and art competition, PE activity (shooting machine contest, basketball game), etc...

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

b.Comprehensive staff welfare facility:

PE center: The opening hour of the mother company’s 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 that can contain more than 40 persons, and a multifunctional aerobics room. This PE center is a best place for employee to carry out fitness trainings, throwing birthday parties and doing community activities.

Staff restaurant: Spacious, bright, and well-equipped with audiovisual equipment are most people’s first impression to the mother company’s staff restaurant. But more than that, the Staff Welfare Committee also works hard to make the restaurant to provide hygiene, delicious, economic, and diversified choices meals to staffs. 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. In addition, in order to meet different meal habits for foreign workers and respect the cultural differences, the Welfare Committee also separate the restaurant into different dining areas to provide different flavored meals for Philippines and Indonesian staffs. Therefore, the staff restaurant receives high appraisal from employees. Sometimes foreign internship trainees that come to Fu Hsing during only summer vacations express their memory and memory on the company’s staff restaurant.

(9) During the past year and in the current year until the reporting date of this annual report, a subsidiary violated the regulations stated in Article 32-2 and Article 36 of the Labor Standards Act. The company was unable to truly implement the Act. Besides strengthening the superintendent's responsibility in management and supervision, Fu Hsing also educated the accordingly enforced regulations to all the colleagues during the early morning meeting and asked all the subsidiaries and colleagues to cooperate and abide by such regulations.

All the company's policies and systems are made in accordance with the required laws and regulations. In the future, the company will still actively protect labor's rights, and hopefully through good and friendly communication channels we are able to maintain the company's good tradition in keeping harmonious labor-capital relationship.

(10) Retirement benefit

<p>Retirement reserve supervisory committee</p>	<ul style="list-style-type: none"> <li>• In order to effectively overlook the appropriation and use of the retirement reserve, the mother company appoints representatives from both the capital side and labor side to be the Retirement Reserve Supervisory Committee members in every three years according to laws. Currently the retirement fund management committee has 6 representatives from the labor side and 3 from the capital side. In 2015, 8 retirement application were deliberated.</li> <li>• Subsidiary, Fortress Industrial Co., Ltd. Was separated from Taiwan Fu Hsing for individual operation starting from Jan. 1<sup>st</sup>, 2013. Actuary was hired to actuarial re-calculate the pension cost. Also, starting from the year of 2014, the company increased the employee pension reserve's contribution rate under the old system from 2% to 3%. Such pension reserve was appropriate into a pension reserve account in accordance with according laws and regulations.</li> </ul>
<p>A comprehensive pension system that also considers about humanity</p>	<ul style="list-style-type: none"> <li>• 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%, for better ensuring employee's retirement life.</li> <li>• 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. This Method explicitly regulated that Fu Hsing employee, if his seniority and age adding together equals to or exceed 65, 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.</li> </ul>

7. Important contracts: None.

## F. Financial Report

### (I) Condensed Balance Sheets and Statements of Income

#### 1-1. Condensed Consolidated Balance Sheet

Unit: NTD\$1,000

Year Accounts	Financials in the Past 5 Years					Financials from Jan. 1 ~ Mar. 31, 2016 (Note 2)
	2012	2013	2014	2015	Year	
Current asset	2,942,741	3,286,942	3,557,896	4,651,223		\$4,645,334
Real estate, plant and facilities	1,131,619	1,271,743	1,765,981	1,841,250		1,802,499
Intangible assets	77,140	77,429	175,948	124,252		120,861
Other assets	1,463,604	1,562,028	1,393,219	735,706		806,677
Total assets	5,615,104	6,198,142	6,893,044	7,352,431		7,375,371
Current liability	Before distribution	1,124,977	1,368,666	1,768,980	1,843,052	168,119
	After distribution	1,407,655	1,745,570	2,145,884	(Note 3)	—
Non-current liability	377,928	410,935	424,963	385,715		326,828
Total liabilities	Before distribution	1,502,905	1,779,601	2,193,943	2,228,767	1,994,947
	After distribution	1,785,583	2,156,505	2,570,847	(Note 3)	—
Equity attributable to the parent company	4,080,509	4,383,229	4,591,718	5,002,437		5,254,856
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	1,460,971	1,739,337	1,858,272	2,263,600	2,443,800
	After distribution	1,178,293	1,362,433	1,481,368	(Note 3)	—
Others equity	167,903	192,257	281,811	287,202		359,421
Treasury stock	—	—	—	—		—
Non Controlling interests	31,690	35,312	107,383	121,227		125,568
Total equities	Before distribution	4,112,199	4,418,541	4,699,101	5,123,664	5,380,424
	After distribution	3,829,521	4,041,637	4,332,197	(Note 3)	—

Note 1: Reviewed and certified by CPA.

Note2: Reviewed and certified by CPA.

Note 3: Until the printing date of this annual report, the 2015 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

## 1-2. Condensed individual balance sheet

Unit: NT\$1,000

Year		Financials in the Past 5 Years				
		2012	2013	2014	2015	Year
Accounts						
Current asset		2,005,611	1,654,503	1,573,785	\$2,431,001	
Real estate, plant and facilities		527,075	361,956	883,552	913,528	
Intangible assets		698	2,683	1,565	1,151	
Other assets		2,683,316	3,525,579	3,598,013	3,177,234	
Total assets		5,216,700	5,544,721	6,056,915	6,522,914	
Current liability	Before distribution	758,263	766,773	1,076,436	1,173,779	
	After distribution	1,040,941	1,143,677	1,453,340	(Note 2)	
Non-current liability		377,928	394,719	388,761	346,698	
Total liabilities	Before distribution	1,136,191	1,161,492	1,465,197	1,520,477	
	After distribution	1,418,869	1,538,396	1,842,101	(Note 2)	
Capital		1,884,521	1,884,521	1,884,521	1,884,521	
Capital surplus		567,114	567,114	567,114	567,114	
Retained Earnings	Before distribution	1,460,971	1,739,337	1,858,272	2,263,600	
	After distribution	1,178,293	1,362,433	1,481,368	(Note 2)	
Others equity		167,903	192,257	281,811	287,202	
Treasury stock		—	—	—	—	
Total equities	Before distribution	4,080,509	4,383,229	4,591,718	5,002,437	
	After distribution	3,797,831	4,006,325	4,214,814	(Note 2)	

Note 1: Reviewed and certified by CPA.

Note 2: Until the printing date of this annual report, the 2015 earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

1-3. Condensed individual balance sheet – under R.O.C. accounting standard

Unit: NT\$1,000

Year		Financials in the Past 5 Years (Note 1)				Year
		2009	2010	2011	2012	
Accounts						
Current asset		1,576,325	1,659,324	1,587,774	2,014,631	
Funds & Investment		2,305,963	2,483,268	2,559,358	2,623,096	
Fixed Assets		651,886	588,034	554,684	526,807	
Intangible assets		6,893	1,987	1,081	698	
Other assets		3,196	4,565	3,117	2,155	
Total assets		4,544,263	4,737,178	4,706,014	5,167,387	
Current liability	Before distribution	505,511	595,332	512,608	741,763	
	After distribution	788,189	821,475	738,751	1,024,441	
Long term liabilities		—	—	—	—	
Other liabilities		255,432	284,994	246,208	264,052	
Total liabilities	Before distribution	760,943	880,326	758,816	1,005,815	
	After distribution	1,043,621	1,106,469	984,959	1,288,493	
Capital		1,884,521	1,884,521	1,884,521	1,884,521	
Capital surplus		567,114	567,114	567,114	567,114	
Retained Earnings	Before distribution	1,123,003	1,187,272	1,279,642	1,439,953	
	After distribution	840,325	961,129	1,053,499	1,157,275	
Unrealized re-evaluation gains		69,457	69,457	69,457	69,457	
Cumulative translation adjustments		127,579	18,621	159,561	102,940	
Net loss not recognized as pension cost		-107,214	-131,439	-109,122	-126,937	
Total equities	Before distribution	3,783,320	3,856,852	3,947,198	4,161,572	
	After distribution	3,500,642	3,630,709	3,721,055	3,878,894	

Note 1: Reviewed and certified by CPA.

## 2-1 Condensed consolidated income statement

Unit: NT\$1,000

Accounts	Financials in the Past 5 Years (Note 1)					Financials from Jan. 1 ~ Mar. 31, 2016 (Note 2)
	2012	2013	2014	2015	Year	
Revenue	5,014,718	5,887,680	7,074,752	\$7,986,554		\$1,977,441
Gross margin	903,432	952,667	1,356,386	1,811,324		509,390
Operating profit	361,207	308,501	499,433	851,495		272,423
Non-Operation income (Expense)	150,866	454,174	171,990	224,984		-28,648
NIBT	512,073	762,675	671,423	1,076,479		243,775
Continuing operation's income	410,054	592,312	526,718	816,764		184,676
Loss from discontinued operations	-	-	-	-		-
Net income (loss)	410,054	592,312	526,718	816,764		184,676
Other comprehensive income or loss (Net amount after tax)	31,165	4,901	74,912	-9,329		72,084
Total comprehensive Income (Loss)	441,219	597,213	601,630	807,435		256,760
Net profit attributable to owner of the parent	398,658	580,998	507,914	796,103		180,200
Net Profit attributable to minority interest	11,396	11,314	18,804	20,661		4,476
Total comprehensive income attributable to owner of the parent	430,358	585,398	585,393	787,623		252,419
Total comprehensive income attributable to minority interest	10,861	11,815	16,237	19,812		4,341
Earnings per share (Note3)	2.12	3.08	2.70	4.22		0.96

Note 1: Reviewed and certified by CPA.

Note 2: Reviewed by CPA.

Note 3: Basic EPS

## 2-2Condensed individual income statement

Unit: NT\$1,000

Year Accounts	Financials in the Past 5 Years (Note 1)				
	2012	2013	2014	2015	Year
Revenue	3,792,822	3,853,599	4,727,893	\$5,330,560	
Gross margin	642,245	563,079	624,721	885,522	
Operating profit	267,734	172,376	194,258	408,239	
Non-Operation income (Expense)	195,244	532,712	390,891	546,043	
NIBT	462,978	705,088	585,149	954,282	
Continuing operation's income	398,658	580,998	507,914	796,103	
Loss from discontinued operations	—	—	—	—	
Net income (loss)	398,658	580,998	507,914	796,103	
Other comprehensive income or loss (Net amount after tax)	31,700	4,400	77,479	-8,480	
Total comprehensive Income (Loss)	430,358	585,398	585,393	787,623	
EPS (Note 2)	2.12	3.08	2.70	4.22	

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS (after tax).

2-3 Condensed individual income statement – under R.O.C. accounting standard

Unit: NT\$1,000

Year Accounts	Financials in the Past 5 Years (Note 1)				
	2009	2010	2011	2012	Year
Revenue	2,947,438	3,378,450	3,167,594	3,792,822	
Gross margin	665,666	606,170	475,001	631,875	
Operating profit	320,971	268,743	135,276	254,176	
Non-Operation income and profit	127,999	237,661	227,983	220,599	
Non-Operation expense and loss	56,978	101,552	16,451	26,557	
Net Income (loss) before tax from continuing operations	391,992	404,882	346,808	448,218	
Income (loss) from continuing operations	356,167	346,947	318,512	386,453	
Income (loss) from discontinued operations	—	—	—	—	
Extraordinary profit (loss)	—	—	—	—	
Cumulative effects of changes in accounting standard	—	—	—	—	
Profit (Loss)	356,167	346,947	318,512	386,453	
EPS (Note 2)	1.89	1.84	1.69	2.05	

Note 1: Reviewed and certified by CPA.

Note 2: Basic EPS (after tax).

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

Year	Accounting Firm	Name of Accountants	Audit 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
2013	PwC Taiwan	WANG, Kuo-Hua LIAO, A-Shen	Modified Unqualified Opinion
2012	PwC Taiwan	WANG, Kuo-Hua LIN, I-Chang	Modified Unqualified Opinion
2011	PwC Taiwan	WANG, Kuo-Hua LIN, I-Chang	Modified Unqualified Opinion

## (II) Financial analysis

### 1. Analysis on consolidated financials

Year Analysis list (Note 3)		Financial analysis in the Past 5 Years (Note 1)					Financials from Jan. 1 ~ Mar. 31, 2016 (Note 2)
		2012	2013	2014	2015	Year	
Financial Structure %	Debt ratio	26.77	28.71	31.83	30.31		27.05
	Ratio of liabilities to assets	360.59	344.66	284.07	299.22		316.63
Solvency%	Current ratio	261.58	240.16	201.13	252.37		278.48
	Quick ratio	201.01	175.87	150.27	205.16		230.09
	Times interest earned ratio	645.93	276.93	223.40	980.51		40,630.17
operating ability	Account receivable turnover (times)	4.99	5.02	5.00	4.93		4.93
	Days sales in accountable receivable	74	73	73	75		74
	Inventory turnover (times)	6.78	6.43	6.50	6.99		7.05
	Account payable turnover (times)	6.32	6.06	5.78	5.58		5.53
	Average days in sales	54	57	56	53		52
	Fixed properties, plants and equipment turnover (times)	4.28	4.90	4.66	4.43		4.34
	Total assets turnover (times)	0.94	1.00	1.08	1.12		1.07
Profitability	Return on assets (%)	7.47	9.87	7.79	11.19		2.45
	Return on Equity (%)	10.02	13.73	11.32	16.21		3.43
	Profit before tax to capital stock (%)	27.17	40.47	35.63	57.12		12.94
	Profit ratio (%)	7.95	9.87	7.18	9.97		9.11
	EPS (dollar)	2.12	3.08	2.70	4.22		0.96
Cash Flow	Cash flow ratio (%)	47.23	48.53	49.84	57.44		26.70
	Cash flow adequacy ratio (%)	120.49	121.50	101.16	115.62		144.50
	Cash re-investment ratio (%)	5.96	6.88	8.73	10.94		6.89
Leverage	Operation leverage	5.43	6.67	4.99	3.21		2.66
	Financial leverage	1.00	1.01	1.01	1.00		1.00

Note 1: Reviewed and certified by CPA.

Note 2: Reviewed by CPA.

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

(1) Current Ratio increased 21% and Quick Ratio increased 31%: the main reason was due to the good operational performance in 2015. Also, the Shanghai plant has completed the liquidation process and the investment amount and earnings were returned in succession, so the current assets were increased.

(2) Time Interest Earned Ratio increased 273%: the main reason was due to the company's good operational

performance in 2015, so the net earning was increased. Also, the interest expenditure was decreased.

(3) Return on Assets increased 34%, Return on Equity increased 36%, Profit before tax to capital stock increased 53%, Profit Ratio increased 28%, and EPS increased 49%: the main reason was due to its increased net income resulted from the company's good operational performance in 2015.

(4) Cash Re-investment Ratio increased 32%: was mainly because of the increased net cash flow from operating activities resulted from its good operations.

Note 3: 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 payables (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 4: 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 5: 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 6: 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 7: If the company's securities have no face value or face value other than NT\$10, the afore-mentioned 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 financials

Year Analysis list (Note 2)		Financial analysis in the Past 5 Years (Note 1)				
		2012	2013	2014	2015	Year
Financial Structure %	Debt ratio	21.78	20.95	24.19	23.31	
	Ratio of liabilities to assets	774.18	1,210.98	519.69	585.55	
Solvency%	Current ratio	264.50	215.77	146.20	207.11	
	Quick ratio	209.59	176.53	120.16	183.01	
	Times interest earned ratio	154,327	22,746	2,613	45,443	
operating ability	Account receivable turnover (times)	6.23	5.02	4.94	4.98	
	Days sales in accountable receivable	59	73	74	74	
	Inventory turnover (times)	8.01	8.41	13.19	15.25	
	Account payable turnover (times)	7.29	6.29	6.48	6.05	
	Average days in sales	46	44	28	24	
	Fixed properties, plants and equipment turnover (times)	6.96	8.62	7.55	5.90	
	Total assets turnover (times)	0.75	0.71	0.81	0.84	
Profitability	Return on assets (%)	8.00	10.80	8.76	12.66	
	Return on equity (%)	10.02	13.73	11.32	16.60	
	Profit before tax to capital stock (%)	24.57	37.41	31.05	50.64	
	Profit ratio (%)	10.63	15.17	10.80	15.01	
	EPS (dollar)	2.12	3.08	2.70	4.22	
Cash Flow	Cash flow ratio (%)	45.27	57.60	59.55	52.11	
	Cash flow adequacy ratio (%)	121.51	120.27	95.80	106.47	
	Cash re-investment ratio (%)	2.45	3.24	5.15	4.25	
Leverage	Operation leverage	7.96	14.29	8.38	4.63	
	Financial leverage	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) Current Ratio increased 42% and Quick Ratio increased 52%: the main reason was due to the good operational performance in 2015. Also, the Shanghai plant has completed the liquidation process and the investment amount and earnings were returned in succession, so the current assets were increased.

(2) Time Interest Earned Ratio increased 1639%: the main reason was due to the company's good operational performance caused net earnings increases.

(3) Fixed Properties, Plants and Equipment turnover (times) decreased 22%: it was mainly because of the low base in the net amount of the average fixed properties, plant, and equipment in 2014. The company purchased a land of 495,856 in 2014.

(4) Return on Assets increased 45%, Return on Equity increased 47%, Profit before tax to capital stock increased 63%, Profit Ratio increased 39%, and EPS increased 56%: the main reason was due to its increased net income resulted from

the company's good operational performance in 2015.

(5) The operation leverage decreased 53%: was mainly because of the increased operating income resulted from the company's good operations in 2015.

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 payables (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 4: 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 yearend 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 5: 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 6: 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 7: If the company's securities have no face value or face value other than NT\$10, the afore-mentioned 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 financials – under R.O.C. accounting standard

Year Analysis list (Note 3)		Financial analysis in the Past 5 Years (Note 1)					
		2009	2010	2011	2012	年	
Financial Structure %	Debt ratio	16.75	18.58	16.1	19.5		
	Ratio of liabilities to assets	580.4	655.9	711.6	790.0		
Solvency %	Current ratio	311.8	278.7	309.7	271.6		
	Quick ratio	269.2	223.5	250.1	215.9		
	Times interest earned ratio	130,665	275.5	173,405	149,407		
operating ability	Account receivable turnover (times)	6.9	7.6	6.6	6.2		
	Days sales in accountable receivable	52.9	48	55.3	58.5		
	Inventory turnover (times)	7.9	9.1	7.7	8.0		
	Account payable turnover (times)	6.3	6.8	7.4	6.3		
	Average days in sales	46.2	40.1	47.4	45.5		
	Fixed properties, plants and equipment turnover (times)	4.1	5.3	5.5	7.0		
	Total assets turnover (times)	0.7	0.7	0.7	0.8		
Profitability	Return on assets (%)	8.1	7.5	6.8	7.8		
	Return on equity (%)	9.7	9.1	8.2	9.5		
	Profit before tax to capital stock (%)	Operating Profit	17.00	14.30	7.20	13.50	
		NIBT	20.80	21.50	18.40	23.80	
	Profit ratio (%)	12.5	10.5	10.2	10.3		
EPS (dollar)	1.89	1.84	1.69	2.05			
Cash Flow	Cash flow ratio (%)	104.1	68.4	35.4	48.7		
	Cash flow adequacy ratio (%)	123.4	131.5	154.0	141.9		
	Cash re-investment ratio (%)	7.8	2.3	(註 2)	2.8		
Leverage	Operation leverage	3.42	4.98	10.3	8.4		
	Financial leverage	1.0	1.01	1.0	1.0		

Note 1: The company's financial statements for the past 5 years were all reviewed and certified by CPA.

Note 2: Not presented, because of a net cash outflow from operation activities after deducting cash dividend.

Note 3: 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 account receivable =  $365 / \text{Account receivable turnover}$

(3) Inventory turnover =  $\text{Cost of goods sold} / \text{Average inventories}$

(4) Account payable turnover (including Account payable and Notes payable arising from operations) =  $\text{Cost of goods sold} / \text{Average balance of all the payables (including Account payable and Notes payable arising from operations)}$

(5) Average days in sales =  $365 / \text{Inventory turnover}$

(6) Fixed properties and equipment turnover =  $\text{Net sales} / \text{Net amount of fixed properties and equipment}$

(7) Total assets turnover =  $\text{Net sales} / \text{Average total assets}$

#### 4. Profitability

(1) Return on assets =  $[\text{NIAT} + \text{Interest expense}(1-\text{tax rate})] / \text{Average total assets}$

(2) Return on shareholder's equity =  $\text{NIAT} / \text{Average total stockholder's equity}$

(3) Profit ratio =  $\text{NIAT} / \text{Net sales}$

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

#### 5. Cash Flow

(1) Cash flow ratio =  $\text{Cash flow generated during operation activities} / \text{Current liabilities}$

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

(3) Cash re-investment ratio =  $(\text{Net cash flow generated during operation activities} - \text{Cash dividend}) / (\text{Gross amount of fixed properties and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$  (Note 5)

#### 6. Leverage:

(1) Operation leverage =  $(\text{Net sales revenue} - \text{Variable operation cost and expenses}) / \text{Operation profit}$  (Note 6)

(2) Financial leverage =  $\text{Operation profit} / (\text{Operation profit} - \text{Interest expense})$

Note 4: 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 yearend 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 5: 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 6: 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.

(III) Supervisor's report on the most recent fiscal year's financial report

Supervisor's Report

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 LIAO, A-Shen and LIU, Tzu-Meng, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2015, 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.)

March 21<sup>st</sup>, 2016

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

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

(VI) In the most fiscal year and up until the printing date of this annual report, should the company and its affiliated companies had financial difficulties, the influences on the company's financial situation should be disclosed: None.

## G. 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	2015	2014	Difference	
				Amount	%
Current assets		\$4,651,223	\$3,557,896	1,093,327	31%
Fund & Investments		554,951	1,196,571	-641,620	-54%
Real estate, factory and equipment		1,841,250	1,765,981	75,269	4%
Intangible assets		124,252	175,948	-51,696	-29%
Other assets		180,755	196,648	-15,893	-8%
Total assets		7,352,431	6,893,044	459,387	7%
Current liabilities		1,843,052	1,768,980	74,072	4%
Non-current liabilities		385,715	424,963	-39,248	-9%
Total liabilities		2,228,767	2,193,943	34,824	2%
Capital		1,884,521	1,884,521	0	0%
Capital surplus		567,114	567,114	0	0%
Retained earnings		2,263,600	1,858,272	405,328	22%
Other equity		287,202	281,811	5,391	2%
Minor interests		121,227	107,383	13,844	13%
Total shareholder's equity		5,123,664	4,699,101	424,563	9%

1. Analysis on more than 20% changes in %:

(1) Current assets increased 31%: the main reason was due to the good operational performance in 2015. Also, the Shanghai plant has completed the liquidation process and the investment amount and earnings were returned in succession, so the current assets were increased.

(2) Fund and Investments decreased 54%: mainly because the Shanghai plant has completed the liquidation process, and the investment amount and earnings were returned in succession. Therefore, the recognized net investment under the equity method decreased.

(3) Intangible assets decreased 29%: mainly due to the decreased of goodwill.

(4) Retained earnings increased 22%: mainly due to the increased net income after tax resulted from stable and growing operations in 2015.

2. Impacts of the changes: No significant influence to the company's financial situation.

3. Future plan to meet the changes: Not applicable.

## 2. Two year comparison on the operation results

Unit: NT\$1,000

Item	Year	2015	2014	Increase (Decrease)	Change %
Total sales revenue		\$8,062,650	\$7,124,587	938,063	13%
Sales return and discount		76,096	49,835	26,261	53%
Total sales revenue – net		7,986,554	7,074,752	911,802	13%
Operating Cost		6,175,230	5,718,366	456,864	8%
Gross Margin		1,811,324	1,356,386	454,938	34%
Operating Expenses		959,829	856,953	102,876	12%
Operating Profit		851,495	499,433	352,062	70%
Non-operating income and expenses		224,984	171,990	52,994	31%
Net income before tax		1,076,479	671,423	405,056	60%
Tax		259,715	144,705	115,010	79%
Net income after tax		816,764	526,718	290,046	55%
Other comprehensive income after tax – net		-9,329	74,912	-84,241	-112%
Total comprehensive income		807,435	601,630	205,805	34%
<p>1. Analysis on more than 20% changes in %:</p> <p>(1) Sales return and discount increased 53%: mainly due to large quantity discount provided to customers in order to expand the market.</p> <p>(2) Gross margin increased 34%: a combined influence resulting from the growing of sales, depreciation of New Taiwan Dollars, and the fall of material price.</p> <p>(3) Operating profit increased 70%: mainly due to the growing of sales, increase of gross margin, and good control in operating expenses.</p> <p>(4) Non-operating income and expenses increased 31%: main because of forex gain resulting from New Taiwan Dollar depreciation.</p> <p>(5) Net income before tax increased 60%: please see the above explanations on (2) ~ (4).</p> <p>(6) Tax increased 79%: mainly because of the increased of net income before tax in 2015.</p> <p>(7) The net income increased 55%: a combined influence resulting from (2)~(4) and (6).</p> <p>(8) Other comprehensive income after tax-net decreased 112%: mainly resulted from the difference in exchange rates on the accounting reports in overseas operations.</p> <p>(9) Total comprehensive income increased 34%: a combined influence resulting from the above reasons.</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 46,929 thousand units in 2016.</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	2015	2014	Changes	
			Amount	%
Net cash flow	627,479	122,233	505,246	413
(1)Net cash inflow increased in 2015 comparing to 2014 mainly came from cash inflows from investing activities.				
(2) Improvement on insufficient liquidity: The company has sound financial structure and 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
1,628,441	1,406,772	1,445,408	1,589,805	-	-
(1)Analysis on the estimated cash flow changes in 2015: Operation activity: No significant changes estimated. Investment activity: Continued equipment expansion and external investments. Financing activity: Expected to have cash outflows due to cash dividend.					
(2)The make-up plan for insufficient cash, and the analysis on solvency: We expect the cash is enough in 2016.					

4.Influences of major capital expenditure plan in the recent fiscal year: There was no significant capital expenditure project in recent year.

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

Year	Invested company	Investment amount	Stake	Investment Strategy	Main reason for the profit/loss	Improvement	Future investment plan
2014	Hundure Technology Co., Ltd.	NT\$128million	51%	For diversified operation	Operation is good with good profitability	None	None
2012	Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original "Artek (Shanghai) International Trade Co., Ltd.")	RMB 8million	100%	To promote self-owned brands	Still in the beginning stage, the effects on product promotions have not yet appeared.	Continue to promote the business	None

## 6. Risk management & assessment

(1) Organization structure for risk management:

Important risk assessment directions	1 <sup>st</sup> layer - risk control unit	2 <sup>nd</sup> 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	President Office	Financial Dept.	
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 2015, the depreciation of New Taiwan Dollar due to slow global economy, U.S. market's steadily growth and the continued QE strategy in EU and Japan, along with the reduced international oil

price and basic metals had posted positive effects on the company's overall operation situation. In the future, besides continuing to carry out proper hedge in exchange rate and material procurements, we will also keep promoting important projects such as VA/VE and new products development in order to improve the company's value and overall competitiveness. The response measures are as below:

a. Response to the risk of interest rate:

With stable profits and sufficient operational cash, the company does not have big amount of bank loans. Thus, the influences of changing interest rates mainly will affect the return rate on fund utilization. Currently, besides fixed deposits or quasi money bond funds, some of the operation funds are invested in stable-yield value stock in order to increase the return rate of capital utilization.

b. Response to the risk 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 hedge policy to do forward selling with the expectation to reduce the exchange rate fluctuation risk to the minimal.

c. Response to the risk of inflation:

The price of international energy and heavy commodities are still in fluctuation. We continue to discuss the relevance of the consumed energies and try to develop alternative materials 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) The company has established "procedures to involve in derivative merchandise transactions" and strictly prohibit the transaction on high risk and high leverage investments. Loaning funds to others and endorsement and guarantees must be handled in accordance with the company's related work procedures.

Derivative merchandise transactions include forex option, forward foreign exchange transactions, and bulk materials metal future options. The purpose is to evade risks in relation to foreign exchange rate fluctuation and reduce risks of metal materials cost increase due to huge price changes in the market. The main purpose is to evade a greater amount of price risks in the market.

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

a. 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 market and channels in the needs of product appearance, mechanical strength, fitting, and others. We will especially focus on the design of product appearances and the development of special surface process (such as antimicrobial coating) in order to provide more flexible choices.

(b)For commercially medium to heavy door products, the focus will be put on ANSI Grade 1 and UL fire proof products in keep adding new functions or even specialized surface treatments in order to enlarge market coverage. We will 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 highest grade ANSI Grade 1 certification in commercial door lock products, in the future we plan to further extend downward to cultivate Grade 2 commercial door lock products in order to further enhance Fu Hsing's competitiveness in the construction market.

#### b.Electronic door lock:

(a)Current production line is going to be a more complete production line. Except for current push-bottom lock, electronic touch lock, we will also focus on different customers to develop products with differentiated appearances to increase the product breadth.

(b)While the market trend is going to integrate the electronic door locks with intelligent phones, we plan to develop new types of electronic door locks installing with NFC or Bluetooth technology and connecting with cellular phones by APP interface for creating a whole new user experiences in the future market.

(c)The home automation market in North America is gradually going into a mature market. And Fu Hsing also follows major customer's footprint to develop electronic products that are compatible with Z-wave/Zig-bee technology. While is cooperating customer's own 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 strong power in the integration of electromechanical technology and software. With the strengths in the mechanic door lock's manufacturing ability, R&D ability, professional supports from its partners, Taiwan Fu Hsing is able to develop a complete door lock system in the light of commercial door lock's use environment like condominium to reduce customer's cost in the public access management.

c.The planned R&D investment: The planned R&D expense in 2015 was 231,808 thousand 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. And the company is centering on developed nations in U.S. and EU, where are having relatively stable regulations and policies. Thus, foreign policies and regulations did not affect our financials and business. However, we will still keep an eye on the changes at home and 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:

a. The company has introduced in the ERP system at several years ago in order to provide timely and integrated information for responding quickly to market demand and needs to modify the company's operation strategy.

b. In recent years, a significant trend in the demand of door lock showing that consumers now are requesting more from door lock products, no matter in its safety, function, or looks. This trend is especially obvious in electronic door lock. Thus, the market demands on such products are also showing signs of growing. In order to develop this new door lock blue sea market and keep maintaining our leading position, the company is planning to actively expand the higher value-added electronic door lock market. We expect electronic door lock products are going to be a major niche type product.

(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: Not applicable.

(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.

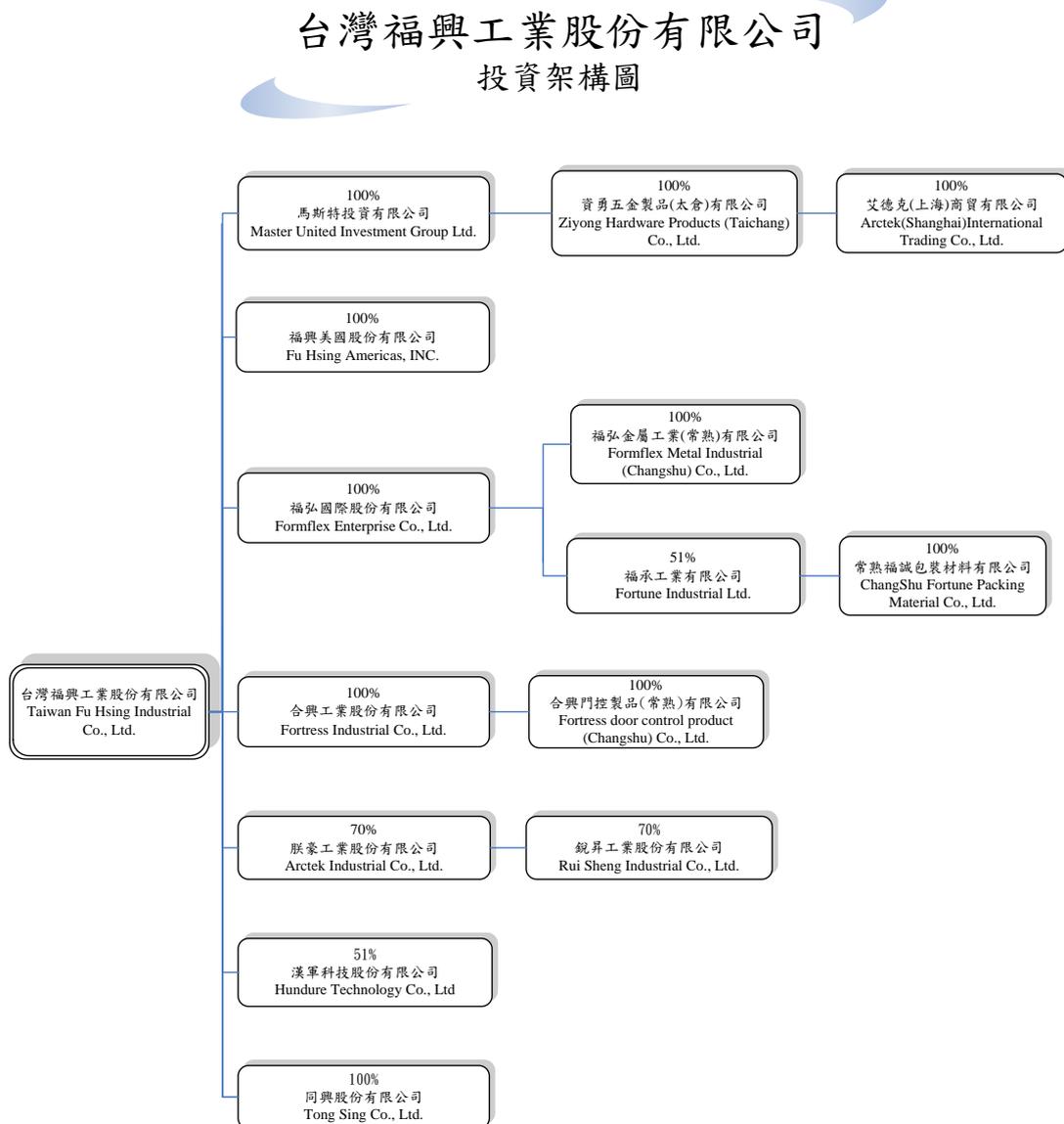
## H. Special Notes

### 1. Disclosure regarding affiliated companies

#### (1) Organization status of the affiliated companies

##### a. Organization chart of the affiliated companies

Data drawn on Dec. 31<sup>st</sup>, 2015



b. 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.

c. 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.

## (2)Information on affiliated companies

Date Drawn on Dec. 31<sup>st</sup>, 2015

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
Taiwan Fu Hsing Industrial Co., Ltd.	Nov. 23 <sup>rd</sup> , 1957	No.88, Yucai Rd., Kangshan Dist., Kaohsiung City, Taiwan R.O.C.	\$ 1,884,521	Mainly work for the manufacturing and sale of metal furniture, machinery, door lock, and door related metal accessories, sports equipment, vehicle parts and dies, and also bidding and exporting on behalf of domestic and overseas companies.
Fu Hsing Americas, INC.	May 25 <sup>th</sup> , 1999	1000 Satellite Boulevard Suite # 101, Suwanee, GA30024	9,637	Distribution of door locks and door closer related products.
Master United Investment Group Ltd.	Jan. 23 <sup>rd</sup> , 1998	P.O.BOX3321,Road Town,Tortola,BRITISH VIRGIN ISLANDS	538,240	Reinvestment business.
Ziyong Hardware Products (Taichang) Co., Ltd.	Mar. 27 <sup>th</sup> , 1998	Next to National Highway 204 in Nanjiao Dist., Chengxiang Town, Taichang City, Jiangsu Province, P.R.C.	512,839	The production and sales of architectural hardware, and processing for hardware products including auto parts.
Fortress Industrial Co., Ltd.	May 16 <sup>th</sup> , 2012	No.103, Hsingong 1 <sup>st</sup> Rd., Dahsing Village, Beidou Township, Changhua County, Taiwan R.O.C.	267,750	The R&D, production, sale, and after-sale services on door closer, hinges related products.
Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original "Artek (Shanghai) International Trade Co., Ltd.")	Mar. 16 <sup>th</sup> , 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.	Feb. 1 <sup>st</sup> , 2005	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	741,744	Reinvestment business.
Formflex Metal Industrial (Changshu) Co., Ltd.	May 12 <sup>th</sup> , 2005	No.68, Huangpujiang Rd., Southeast Development Zone, Changshu, Jiangsu Province, P.R.C.	558,487	The production and sale of hardware parts.
Fortune Industrial Ltd.	Mar. 30 <sup>th</sup> , 2007	Level2, Lotemau Centre, Vaea Street, Apia, Samoa	13,133	Reinvestment business.
ChangShu Fortune Packing Material Co., Ltd.	Oct. 11 <sup>th</sup> , 2007	No.68, Huangpujiang Rd., Southeast Development Zone, Changshu, Jiangsu Province, P.R.C.	13,133	The production of plastic parts, and production of packing materials for plastic parts.
Artek Industrial Co., Ltd.	Jul. 27, 1994	No. 76, Hsingong Rd., Beidou Township, Changhua County, Taiwan R.O.C.	41,400	The production and sale of door hinge and floor hinge related products.
Rui Sheng Industrial Co., Ltd.	Apr. 28 <sup>th</sup> , 2009	No. 76, Hsingong Rd., Beidou Township, Changhua County, Taiwan R.O.C.	7,200	The production and processing of door hinge and floor hinge related products.
Hundure Technology co., ltd.	Apr. 10, 1989	No.47-1, 2 <sup>nd</sup> Sec., Guangfu Rd., Sanchong Dist., New Taipei City, R.O.C.	68,890	The processing, manufacturing, and sale of electronic control facility, electronic fire protection and monitoring system, and electronic materials and parts.
Fortress Door Control Product (Changshu) Co., Ltd.	Mar. 12, 2014	High Tech Industrial Development Zone in Guipujiang Rd., Changshu, Jiangsu Province, P.R.C.	90,750	The manufacturing of door closer related products
Tong Sing Co., Ltd.	Dec. 16, 2014	No.18, Benzhou Rd., Gangshan Dist., Kaohsiung, R.O.C.	1,000	The processing and sale of hardware products

(3) Having the same shareholders in the controlling and affiliated company defined in the Company Act: None.

(4) Industries involved by the overall affiliated companies

a. Business of the company and affiliated companies: including manufacturing industry and investment industry.

b. The company is mainly working for the manufacturing and sales of door lock and door related metal accessories. Based on 2015 operations, the sales and procurement information involving affiliated companies are stated as below:

The transaction among affiliated companies:

(a) The company sold products of NT\$38,146 thousand dollars to its affiliated companies and sold services of NT\$26,382 thousand dollars to its affiliated companies.

(b) The company purchased merchandises of NT\$2,027,308 thousand dollars from its affiliated companies.

(5) Endorsement and guarantees provided for affiliated companies

Unit: NT1,000

Endorsee	Accounts	Whether the endorsee 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 endorsement	Amount of business transaction involved	Reason for short term financial needs	Allowance for bad debt amount appropriated	Collateral		Ceiling of the endorsement to a single company	Ceiling of Total endorsements	Remarks
											Name	Value			
FU HSING AMERICAS INC.	Other Account Receivable – Related Party	Yes	\$42,393	\$42,393	\$42,393	3%	Has short term financial needs	-	For operation needs	-	None	-	\$50,497	\$500,244	Note

Note According to the operational procedures for the making of endorsement/guarantee to others, the ceiling of the total endorsements and the reasons are stated below:

1. The total endorsements made for company or enterprise that has business relationship with the company should not exceed 20% of the endorsee's net worth. In this case, endorsements made for a single company must not exceed the total business transaction amount with the company in the most recent years (should be determined by purchase amount).

2. The total endorsements made for company or enterprise that has short term financial needs should not exceed 10% of the endorsee's net worth. In this case, endorsements made for a single company must not exceed 50% of the company's net worth stated in the most recent audited financial report.

3. If any subsidiary has the need to make endorsements to other subsidiary that is also controlled by the same mother company due to business necessary, the total endorsement amount must not exceed the total net worth of the endorsee subsidiary stated in the financial report.

6. Directors, supervisors, presidents of the affiliated companies Data drawn on Dec. 31, 2015

Name of Business	Title	Name or Representative	Holding Shares	
			Shares	Holding %
Taiwan Fu Hsing Industrial Co., Ltd.	Chairman	LIN, Jui-Chang	1,624,978	0.86
	Director and President	CHEN, Chien-Kun	675,132	0.36
	Director (Representative of Fu Zhi Investment Development Co., Ltd.)	Michael A.Hoer	10,091,307	5.35
	Director (Representative of Fu Zhi Investment Development Co., Ltd.)	LIU, Ju-Shan	10,091,307	5.35
	Director and Group President (Hong He Investment Co., Ltd.)	CHU, Jung-Ho	1,827,000	0.97
	Supervisor (Fu Yuan Investment Co., Ltd.)	LIN, Wen-Hsing	2,697,185	1.43
	Supervisor (Fu Yuan Investment Co., Ltd.)	HUANG, Fu-Ti	2,697,185	1.43
Fu Hsing Americas, INC.	Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.) Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho LIN, Jui-Chang	300,000	100
Master United Investment Group Ltd.	Chairman (representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	15,600,000	100
Ziyong Hardware Products (Taichang) Co., Ltd.	Chairman (Representative of Master United Investment Group Ltd.) Director (Representative of Master United Investment Group Ltd.)	CHEN, Chien-Kun LIN, Wen-Hsing LIN, Teng-Tsai LIN, Wen-Yu CHU, Jung-Ho	Limited company, not applicable	100
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	26,775,000	100
	Vice Chairman (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHU, Jung-Ho	26,775,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, Chien-Kun	26,775,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIU, Ju-Shan	26,775,000	100
	Director (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	26,775,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	HUANG, Fu-Ti	26,775,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	26,775,000	100
Artek (Shanghai) Safety Protection Technology Co., Ltd. (the original "Arctek (Shanghai) International Trade Co., Ltd.")	Chairman (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	CHU, Jung-Ho		100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	LIN, Jui-Chang	Limited company, not applicable	100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	CHEN, Chien-Kun		100
	Director (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	LIN, Teng-Tsai		100

	Supervisor (Representative of Ziyong Hardware Products (Taichang) Co., Ltd.)	HUANG Chun-Mei		100
Formflex Metal Industrial (Changshu) Co., Ltd.	Chairman (Representative of Formflex Enterprise Co., Ltd.) Director(Representative of Formflex Enterprise Co., Ltd.)	CHEN, Chien-Kun LIN, Wen-Yu LIN, Teng-Tsai CHU, Jung-Ho LIN, Wen-Hsing	Limited company, not applicable	100
Fortune Industrial Ltd.	Chairman Director(Representative of Formflex Enterprise Co., Ltd.) Director(Representative of Formflex Enterprise Co., Ltd.)	TSAI, Ching-Chin LIN, Teng-Tsai LIN, Wen-Yu	Limited company, not applicable	49 51 —
Changshu Fortune Packing Material Co., Ltd.	Chairman Director(Representative of Formflex Enterprise Co., Ltd.) Director(Representative of Formflex Enterprise Co., Ltd.)	TSAI, Ching-Chin LIN, Teng-Tsai LIN, Wen-Yu	Limited company, not applicable	49 51 —
ARCTEK Industrial Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor	LIN, Jui-Chang CHEN, Chien-Kun CHU, Jung-Ho LIN, Chou-Hsien TSAO, Yung-Chuan LIN, Tzu-Hsuan LI, Kuo-Wei	0 0 0 0 414 0 0	0 0 0 0 10 0 0
Rui Sheng Industrial Co, Ltd.	Chairman Director Director Director Director Supervisor	CHEN, Chien-Kun CHU, Jung-Ho TSAO, Yung-Chuan TAI, Hsu-Sung TAI, Li-Kai LIU, Kuo-Wei	0 0 0 120,000 60,000 0	0 0 0 20 10 0
Hundure Technology co., ltd.	Chairman Director Director Director Director Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.) Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Chi-Chih CHU, Jung-Ho LIN, Chao-Hung HSU, Chen-Yen LIN, Tzu-Yang LI, Kuo-Wei TAI, Tzu-Chin	374,600 0 0 452,000 0 3,513,482 3,513,482	5 0 0 6 0 51 51
Fortress Door Control Product (Changshu) Co., Ltd.	Chairman (Representative of Fortress Industrial Co., Ltd.) Director(Representative of Fortress Industrial Co., Ltd.) Director(Representative of Fortress Industrial Co., Ltd.) Director Representative of Fortress Industrial Co., Ltd.) Director Representative of Fortress Industrial Co., Ltd.) Supervisor Representative of Fortress Industrial Co., Ltd.)	CHEN, Chien-Kun CHU, Jung-Ho LIN, Teng-Tsai LIN, Wen-Hsing LIN, Tzu-Hsuan LI, Kuo-Wei	Limited company, not applicable	100 100 100 100 100 100

Tong Sing Co., Ltd.	Chairman(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Jui-Chang	100,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	CHEN, -Chien-Kun	100,000	100
	Director(Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Teng-Tsai	100,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LIN, Tzu-Hsuan	100,000	100
	Supervisor (Representative of Taiwan Fu Hsing Industrial Co., Ltd.)	LI, Kuo-Wei	100,000	100

## (7) Financial situation and operation results of the company and its affiliated companies

Data drawn on Dec. 31<sup>st</sup>, 2015

Unit: NT\$1,000

Name of Business	Capital	Total Asset	Total Liability	Net Worth	Revenues	Operation Profits	Net Income (After Tax)	EPS (loss) (in NTD)(after tax)
Taiwan Fu Hsing Industrial Co., Ltd.	1,884,521	6,522,914	1,520,477	5,002,437	5,330,560	408,239	796,103	4.22
Fu Hsing Americas, INC.	9,637	142,165	41,172	100,993	66,202	11,639	12,390	41.30
Master United Investment Group Ltd.	538,240	897,688	80,980	816,708	-	-	88,916	Note
Ziyong Hardware Products (Taichang) Co., Ltd.	512,839	1,163,918	347,239	816,679	1,368,316	120,317	88,915	Note
Arctek (Shanghai) Safety Protection Technology Co., Ltd. (the original Arctek (Shanghai) International Trading Co., Ltd.)	107,746	73,764	56,909	16,855	18,761	(26,533)	(27,686)	Note
Formflex Enterprise Co., Ltd.	741,744	1,239,827	386,452	853,375	2,002,574	7,410	179,728	Note
Formflex Metal Industrial (Changshu) Co., Ltd.	735,090	1,323,625	495,555	828,070	1,958,507	148,251	172,103	Note
Fortune Industrial Ltd.	13,133	17,278	-	17,278	-	(33)	413	Note
Changshu Fortune Packing Material Co., Ltd.	13,133	27,929	10,830	17,099	47,000	585	445	Note
ARCTEK Industrial Co., Ltd.	41,400	183,045	85,643	97,402	334,295	32,631	32,018	7,733.82
Rui Sheng Industrial Co., Ltd.	7,200	36,826	10,227	26,599	31,574	11,599	10,173	14.13
Fortress Industrial Co., Ltd.	267,750	873,056	295,565	577,491	1,336,929	112,374	108,187	4.04
Hundure Technology co., ltd.	68,890	195,712	75,267	120,445	197,484	23,236	23,254	3.38
Fortress Door Control Product (Changshu) Co., Ltd.	90,750	138,600	53,313	85,287	266,602	( 7,613)	( 2,035)	Note
Tong Sing Co., Ltd.	1,000	1,022	59	963	-	( 40)	( 35)	( 0.35)

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.

I. Any events in the past fiscal year and in the current fiscal year up until the printing date of this annual report that had significant impact on shareholders' right and security price as stated in Item 2, Paragraph 2 of Article 36 of the Securities and Exchange Laws of Taiwan: None.