

Security Code: 9924



Taiwan Fu Hsing Industrial Co., Ltd.

2018
Meeting of Shareholders
Handbook

Date & Time: 9:00am June 22nd, 2018 (Friday)

Venue: No. 17th, Bengong Rd., Kangshan Dist., Kaohsiung City
(2F of the Assembly Hall in the Benjhou Industrial Park Service Center)

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I. Meeting agenda

Taiwan Fu Hsing Industrial Co., Ltd.
Meeting Agenda of the 2018 Shareholders' Meeting

Date & Time: 9:00am, June 22nd, 2018 (Friday)

Venue: No. 17, Bengong Rd., Kangshan Dist., Kaohsiung City
(2F of the Assembly Hall in the Benjhou Industrial Park Service Center)

Meeting Procedures

1. Report of number of shareholders presenting at the meeting
2. Meeting call to order
3. Address by Chairman
4. Management presentation
 - A. 2017 Operation Report
 - B. Supervisor's review report on the 2017 Financial Statements
 - C. Report of emoluments paid to employees and directors/supervisors in 2017
 - D. Report of process regarding proposals submitted by shareholders
5. Matters for acknowledgment
 - A. To acknowledge 2017 Financial Statements
 - B. To acknowledge 2017 Earnings Distribution Proposal
6. Extempore motions
7. Adjournment

4. Management Presentation

Report 1

Summary: The 2017 Operation Report

Explanation: Please see Attachment I for 2017 Operation Report, pp. [6-10]

Report 2

Summary: Supervisor's review on the 2017 financial statements

Explanation: Please see Attachment II for the review report, pp. [11]

Report 3

Summary: Report of emoluments distributed to employees and directors/supervisors in 2017

Explanation:

1. Emoluments are paid according to Article 26-1 of the Article of Incorporation and the company's operational strategy
2. The company plans to make a provision of NT\$127,737,150 as remuneration paid to employees in 2017 and NT\$13,200,000 as remunerations paid to directors and supervisors in 2017.
3. The above-mentioned remuneration proposal had been resolved on the Board of Directors' Meeting on Jan. 29, 2018 and was determined to distribute in cash.

Report 4

Summary: Report of process regarding proposals submitted by shareholders.

Explanation: According to Article 172-1 of the Company Act, shareholders that hold 1% or above of the company's outstanding shares may submit written motions to the Shareholders' Meeting for discussion. However, one shareholder can submit only one motion with less than 300 words. The company opened up to accept shareholders' proposals from Apr. 13th, 2018 to Apr. 24th, 2018. During the aforementioned period, the company did not receive any proposals from any shareholders.

5. Matters for Acknowledgement

Proposal 1 (Proposed by the Board of Directors)

Proposal: To acknowledge 2017 Financial Statements.

Explanation:

1. The company's 2017 Financial Reports were audited by independent auditors, WANG Kuo-Hua and LIAO A-Shen, of the PwC Taiwan and were given audit report of Unqualified Opinion. The 2017 Financial Reports have been approved by the Board and examined along with the Business Report and earnings distribution proposal by the supervisors of the Fu Hsing Industrial Co., Ltd.
2. Please refer to Attachment II, Attachment III to Attachment XII for the Supervisor's review report, independent auditors' audit report, and the above-mentioned Financial Statements, pp. [11-34].

Resolution:

Proposal 2 (proposed by the Board of Directors)

Proposal: To acknowledge 2017 Earnings Distribution

Explanation:

1. The Board of Directors has resolved to distribute cash dividend of NT\$2 per share from the company's 2017 earnings.
2. Please refer to Earnings Distribution Table in Attachment XIII, pp. [35].
3. Upon the resolution in the Meeting of Shareholders, it is proposed that the Chairman be invited for resolving the ex-dividend date, ex-rights date, and other relevant issues.

Resolution:

6. Extempore Motions

7. Adjournment

II. Attachments

【Attachment I 2017 Operation Report】

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

Taiwan Fu Hsing Industrial Co., Ltd., ever since its establishment in 1957, puts all the efforts into the business, and finally it achieved the important 60-years milestone in 2017. The scarce achievement was resulted from all the hard works by all Fu Hsing employees, domestically and internationally, as well as our shareholders' support and encouragement. Therefore, we would like to share the glory to all the employees and shareholders.

Looking back at the past year, due to United States' weak dollar policy, New Taiwan Dollar hugely appreciated 7.7% in just a year. As an indirect effect, the price of international bulk metal rose sharply. The pricing of our main materials, including metals like copper, zinc, nickel and aluminum, also increased over 20%. This was a serious challenge to our operations. Our 2017 audited consolidated revenue was 8 billion, which declined about 4.6% (or 390 million dollars), comparing to our 2016 revenue. The consolidated gross margin also declined 4.7% to 20.5% in 2017. The 2017 EPS after tax was 2.92 dollar per share. Despite the touch macro conditions, all Fu Hsing employees still stuck to their posts. Hence, we had good achievements no matter in maintaining the relationship with existing customers, finding new customers, developing new products or enhancing our manufacturing efficiency.

In the past year, our achievements also included:

- 82 domestic and international patents in total
- Sales of electronic locks grew 142%
- “Electronic auxiliary lock with external knob” was appraised in the 26th “Taiwan Excellence Award”
- Received “Corporate Culture Award” in the 13th Art and Business Awards from Ministry of Culture

The Company's 2017 operation results are stated as the following:

(1) Review the implementation of Business Plan

Unit: NTD1,000

List	2017	2016	Increase (Decrease)	Increase (Decrease) by %
Revenues (Net)	\$8,006,401	\$8,398,732	\$-392,331	-5%
Operating Profit	808,364	1,106,794	-298,430	-27%
Net Income Before Tax	738,598	1,160,596	-421,998	-36%
Net Income After Tax	549,976	819,739	-269,763	-33%

(2) Review of Budget Implementation

Not available. Fu Hsing did not disclose Financial Forecast for the year of 2017.

(3) Analysis of Receipt, Expenditure, and Profitability

List		2017	2016
Financial Structure	Debt to Total Asset (%)	31.14	30.82
	Long Fund to Fixed Assets, Plants, and Facilities (%)	257.53	328.14
Business Solvency	Current Ratio (%)	236.93	262.70
	Quick Ratio (%)	187.19	218.08
	Interest Protection Multiples	530.46	1,852.03
Profitability	Return on Assets (%)	7.32	10.99
	Return on Equity (%)	10.58	15.81
	NIBT to Paid In Capital (%)	39.19	61.59

	Net Profit Ratio (%)	6.87	9.76
	Earnings Per Share (NTD)	2.92	4.35

(4) Research & Development Works

The development of new products and technology has always been one important operational direction for Fu Hsing. In 2017, besides continuously promoting our R&D speed, we've been acting aggressively to construct a more complete and more diversified electronic lock product line. Besides developing IoT door locks to expand into the market of intelligent home, we also extend horizontally to further integrate our products with computer software and mobile phone app, trying to connect door control system with the most updated communication technology. In the light of existing key pad type and touch screen type electronic door lock product, we also continue to work on the improvement of lock appearances and electronic functions. It is hoped that during the process to integrate new/old products and soft-/hard-ware, Fu Hsing is able to continue accumulating its ability in cross-industrial development.

Besides the development of electronic locks, we still maintain the pace in developing traditional door locks. In 2017, Fu Hsing, as a member, actively participated in activities held by the Builders Hardware Manufacturers Association (BHMA) in the U.S. and continued to keep an eye on the changes of U.S. regulations in order to develop products. In the breadth of products, Fu Hsing, through various channels, collected and analyzed the most updated lock 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.Re-planning of the factory production flow

In the beginning of 2018, the Company acquired an about 300 ping land with factory. The new asset is quite close to our Kangshan factory. With well-planning, the whole factory layout will be more complete. In addition, the new Tong Hsing factory in the Benzhou Industrial Zone is planned to start production at the end of this year. After that, the Company will carry out a complete review and re-plan on the Company's production flow, which will also take our zinc alloy die casting and surface processing lines into consideration. We expect to

well-utilize every inch of the land and establish the most efficient plant layout.

2. Establishing a highly-efficient solar energy generation system in response to green power generation to protect the environment

In response to the government's environment policy on green energy generation, we have planned to build highly efficient roof-top solar energy generation systems on our new Tong Hsing plant in Kaohsiung Benzhou Industrial Park, as well as in subsidiaries, Fortress Industrial Co., Ltd. in Changhua, and ARCTEK Industrial Co., Ltd. We would like to carry out our social responsibility as an enterprise that loves the land and values environmental protection.

3. Never stop on social welfare

It is Fu Hsing's honor to receive the Corporate Culture Award in the 13th Art and Business Awards held by the Ministry of Culture. The purpose of this Art and Business Awards is to honor business's devotions to maintain Taiwan's art and culture and create a superior cultural environment. This award tells us that our efforts in supporting art and cultural activities are seen and recognized by the public. In addition, through Taiwan Fu Hsing Culture and Education Foundation, the scale of Fu Hsing Cup tennis competition gradually enlarged. We have more participants and competing teams year over year. Today, Fu Hsing Cup has become a nation-renowned game. We are happy about the outcome and yet also feel the need to bear heavier responsibility. Therefore, we shall further encourage ourselves to level up the Fu Hsing Cup and live up to all's expectations.

4. Continuously investing in researching and developing new products

The honor of being appraised on the 26th Taiwan Excellence Award by the Ministry of Economic Affairs is also the most positive recognition for us to prove our strategy of the continuous investment in researching and developing new products. The Company expects to submit the application to over 60 domestic and international patents. In addition, besides patents on product's mechanical structure, we also plan to expand the application to product's manufacturing method. It is hoped the claim on intellectual property right is able to eliminate in-appropriate acts such as malicious plagiarism, and hence are able to protect the Company and our customers' rights.

IMF estimated the global economic growth rate in 2018 to be around 3.9%, which is the highest growth rate since 2011. However, it also warns to watch the impacts resulted from US-China trade war and some geopolitics related variables such as Syria war. While taking these issues into consideration, as well as currency risks caused by strong NT dollars and rising bulk metal price, we must

pay close attention to the development of international political and economic situation later on and walk steadily but carefully to sally out the changeable situation in 2018.

Chairman:
LIN, Jui-Chang

General Manager
CHEN, Chien-Kun

Accounting Officer
LI, Kuo-Wei

【Attachment II Supervisor's Report】

Report of Supervisors to the Annual Shareholders' Meeting

Attn: Taiwan Fu Hsing Industrial Co., Ltd. 2018 General Shareholders' Meeting

In accordance with the Article 219 of the Company Act, we have examined the company's operation report and motions of earnings distribution along with the company's financial report and the consolidated financial report that were audited and signed by Accountants, WANG Kuo-Hua and LIAO A-Shen, of the PwC Taiwan and submitted by the Board of Directors for the year ending 2017, and found them in order.

March 23rd, 2018

Supervisors:

HUANG, Fu-Ti

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

LIN, Wen-Hsing

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

LIU, Ju-Shang

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

【Attachment III Independent Auditor’s Report (I)】

Independent Auditor’s Report

(2018) Cai-shen-bao-zi 17003875

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

Audit Opinion

We have audited the attached financial statements of Taiwan Fu Hsing Industrial Co., Ltd.(hereinafter – the “Company”), which comprise the balance sheet as of 31 December 2017 and 2016, statement of financial results, statement of changes in equity and statement of cash flows for the accounting periods in 2017 and 2016, and notes to the individual financial statements (including summaries of important accounting policies).

In our opinion, the above individual financial statements were compiled in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” in all material aspects and were presented fairly to express the individual company’s financial position as of Dec. 31, 2017 and Dec. 31, 2016, as well as individual company’s financial performance and cash flows in the period from Jan. 1 to Dec. 31st, 2017 and 2016.

Basis of Audit Opinion

We conducted our audits in accordance with “Regulations governing auditing and attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards of R.O.C. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believed the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Fu Hsing Company's 2017 individual financial statements of the current period. Those matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on those matters.

Cut-off on sales recognition

Explanation

Please refer to individual financial report note 4 for sales recognition polity (25).

Fu Hsing Company does mainly export business and the Company shall recognize sales when merchandise's ownership related significant risks and profits have been transferred to its customers according to the Company's sales order, contract or other transaction relation agreements. However, sometimes the timing to recognize sales may involve non-computerized sales condition confirmation and double-checking, so as to cause sales recognition cut offs when the closing period of current fiscal year comes. Therefore, we listed the sales recognition cut-off matter as one of the most significant matters in this fiscal year.

How our audit addressed the matter

We perform the following audit procedures on the above key audit matter.

1. Understanding, evaluating, and testing Fu Hsing Company's internal control procedures design and execution on this sales recognition matter.
2. Carrying out cut-off test on sales recognition during the period right before and after the closing of current period's financial statements, verifying sales recognition related evidence and document, and assuring the adequacy of the sales recognition timing according to the transaction conditions.

Allowance for Inventory Valuation Loss

Explanation

For a summary of the significant accounting policies on inventory valuation, refer to Note 4 to the individual financial statements (11). Refer to Note 5 to the individual financial statements for accounting estimates and the uncertainties in relation to such estimates. Refer to Note 6 (4) to the individual financial statements for accounts of inventory.

Fu Hsing Company calculates the cost of inventory based on cost or net realizable value, whichever is lower. Because Fu Hsing Company's inventories contain a diversity of product items and the evaluation on the net realizable value may involve subjective judgment. The estimations may be causing uncertainty. Therefore, we listed the allowance for inventory valuation loss as one of the most significant matters in current year's audit.

How our audit addressed the matter

We perform the following audit procedures on the above key audit matter.

1. Evaluating whether the Company's allowance policy and process in relation to inventory valuation loss is reasonable based on our understanding on the operation of Fu Hsing Company and the industry's characteristics. The evaluation included inventory closeout level, determinations on the reasonableness of obsolete and aged inventories, and the consistency of the adopted accounting method.
2. Verifying whether the presentation of the inventory loss evaluation on the financial statements is consistent with the Company's policy, randomly sampling inventory number to verify the level of inventory closeout, so as to evaluate the adequacy of the allowance for inventory valuation loss.

Other Matters - The report of other independent accountants

We did not audit the financial statements of certain investments under equity method. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amount included in the financial statements relative to these investments, is based solely on the audit reports of other independent auditors. Total investment amount of these investments under equity method amounted to NT\$146,665 thousand dollars and NT\$139,408

thousand dollars respectively during the period of Jan. 1 to Dec. 31, in 2017 and 2016, representing 2% and 2% of the total assets. The recognized profit from such subsidiaries under equity method amounted to NT\$22,404 thousand dollars and 27,230 thousand dollars in 2017 and 2016, constituting 5% and 4% of the total profits respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other

matters, the planned scope and timing of the audit and significant audit findings(including any significant deficiencies in internal control that we identify during our audit).

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are WANG, Kuo-Hua and LIAO, A-Shen of the PwC Taiwan.

Certified by former Securities and Futures Commission, Ministry of Finance:

(87) Tai-cai-zheng(6) 68790

Certified by former Financial Supervisory Commission, Executive Yuan:

Jin-guang-zheng-shen-zi 1010015969

March 23, 2018

【 Attachment IV Individual Balance Sheets 】

TAIWAN FU HSING INDUSTRIAL CO. LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 809,120	13	\$ 882,344	13
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		-	-	72,001	1
1150	Notes receivable, net		22,533	-	21,227	-
1170	Accounts receivable, net	6(3)	871,130	14	1,050,167	16
1180	Accounts receivable - related	7				
	parties		26,062	-	9,454	-
1210	Other receivables - related parties	7	212,035	3	50,880	1
130X	Inventories, net	6(4)	276,655	4	287,360	4
1476	Other current financial assets	6(5)	103,224	2	627	-
1479	Other current assets, others		37,144	1	40,060	1
11XX	Current Assets		<u>2,357,903</u>	<u>37</u>	<u>2,414,120</u>	<u>36</u>
Non-current assets						
1523	Available-for-sale financial assets	6(6)				
	- noncurrent		409,815	6	419,292	6
1543	Financial assets carried at cost -	6(7)				
	noncurrent		18,000	-	18,000	-
1550	Investments accounted for under	6(8)				
	equity method		2,842,133	44	2,802,771	42
1600	Property, plant and equipment, net	6(9) and 7	738,088	12	902,872	14
1780	Intangible assets, net		2,345	-	858	-
1840	Deferred income tax assets	6(21)	38,896	1	34,367	1
1980	Other non-current financial assets	7 and 8	16,053	-	53,867	1
1990	Other non-current assets, others		6,456	-	1,540	-
15XX	Non-current assets		<u>4,071,786</u>	<u>63</u>	<u>4,233,567</u>	<u>64</u>
1XXX	Total assets		<u>\$ 6,429,689</u>	<u>100</u>	<u>\$ 6,647,687</u>	<u>100</u>

Chairman: LIN, Jui-Chang

President: CHEN, Chien-Kun

Accounting Officer: LI, Kuo-Wei

TAIWAN FU HSING INDUSTRIAL CO. LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ -	-	\$ 100	-
2150	Notes payable	7	158,489	2	153,265	2
2170	Accounts payable		181,884	3	210,397	3
2180	Accounts payable - related parties	7	440,385	7	475,427	7
2200	Other payables	6(10)	250,897	4	294,518	5
2220	Other payables - related parties	7	20,728	-	27,742	-
2230	Current income tax liabilities		111,090	2	31,399	1
2399	Other current liabilities, others		9,689	-	10,335	-
21XX	Current Liabilities		<u>1,173,162</u>	<u>18</u>	<u>1,203,183</u>	<u>18</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	97,053	2	165,780	3
2640	Accrued pension liabilities	6(11)	125,083	2	146,064	2
25XX	Non-current liabilities		<u>222,136</u>	<u>4</u>	<u>311,844</u>	<u>5</u>
2XXX	Total Liabilities		<u>1,395,298</u>	<u>22</u>	<u>1,515,027</u>	<u>23</u>
Equity						
Share capital						
3110	Share capital - common stock	6(12)	1,884,521	29	1,884,521	28
Capital surplus						
3200	Capital surplus	6(13)	567,114	9	567,114	9
Retained earnings						
3310	Legal reserve	6(14)(21)	911,391	14	829,416	12
3320	Special reserve		48,991	1	48,991	1
3350	Unappropriated retained earnings		1,584,309	25	1,658,295	25
Other equity interest						
3400	Other equity interest	6(15)	38,065	-	144,323	2
3XXX	Total equity		<u>5,034,391</u>	<u>78</u>	<u>5,132,660</u>	<u>77</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 6,429,689</u>	<u>100</u>	<u>\$ 6,647,687</u>	<u>100</u>

Chairman: LIN, Jui-Chang

President: CHEN, Chien-Kun

Accounting Officer: LI, Kuo-Wei

【 Attachment V Individual Income Statement 】

TAIWAN FU HSING INDUSTRIAL CO. LTD.
PARENT COMPANY ONLY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except for earning per share)

	Items	Notes	2017		2016	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16) and 7	\$ 5,341,232	100	\$ 5,698,548	100
5000	Operating costs	6(4)(19)(20) and 7	(4,486,910)	(84)	(4,651,689)	(81)
5900	Net operating margin		<u>854,322</u>	<u>16</u>	<u>1,046,859</u>	<u>19</u>
	Operating expenses	6(19)(20) and 7				
6100	Selling expenses		(165,718)	(3)	(180,658)	(3)
6200	General & administrative expenses		(177,525)	(3)	(231,834)	(4)
6300	Research and development expenses		(75,195)	(2)	(103,284)	(2)
6000	Total operating expenses		<u>(418,438)</u>	<u>(8)</u>	<u>(515,776)</u>	<u>(9)</u>
6900	Operating profit		<u>435,884</u>	<u>8</u>	<u>531,083</u>	<u>10</u>
	Non-operating income and expenses					
7010	Other income	6(17)	39,906	1	44,000	1
7020	Other gains and losses	6(18)	(52,150)	(1)	(93,014)	(2)
7050	Finance costs		(260)	-	(24)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net		<u>222,736</u>	<u>4</u>	<u>510,492</u>	<u>9</u>
7000	Total non-operating revenue and expenses		<u>210,232</u>	<u>4</u>	<u>461,454</u>	<u>8</u>
7900	Profit before income tax		<u>646,116</u>	<u>12</u>	<u>992,537</u>	<u>18</u>
7950	Income tax expense	6(21)	(96,140)	(2)	(172,798)	(3)
8200	Profit for the year		<u>\$ 549,976</u>	<u>10</u>	<u>\$ 819,739</u>	<u>15</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(11)	(\$ 10,975)	-	(\$ 17,869)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(5,212)	-	(4,140)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	<u>1,866</u>	<u>-</u>	<u>3,038</u>	<u>-</u>
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>(14,321)</u>	<u>-</u>	<u>(18,971)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	(200,534)	(4)	(31,720)	(1)
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(6)(15)	(9,477)	-	17,859	-
8380	Total share of other comprehensive loss of associates and joint ventures accounted for using equity method		<u>103,753</u>	<u>2</u>	<u>(129,018)</u>	<u>(2)</u>
8360	Components of other comprehensive income(loss) that will be reclassified to profit or loss		<u>(106,258)</u>	<u>(2)</u>	<u>(142,879)</u>	<u>(3)</u>
8300	Total Other comprehensive income for the year		<u>(\$ 120,579)</u>	<u>(2)</u>	<u>(\$ 161,850)</u>	<u>(3)</u>
8500	Total comprehensive income for the year		<u>\$ 429,397</u>	<u>8</u>	<u>\$ 657,889</u>	<u>12</u>
	Earnings per share	6(22)				
9750	Total basic earnings per share		<u>\$ 2.92</u>		<u>\$ 4.35</u>	
9850	Total diluted earnings per share		<u>\$ 2.86</u>		<u>\$ 4.30</u>	

Chairman: LIN, Jui-Chang

President: CHEN, Chien-Kun

Accounting Officer: LI, Kuo-Wei

【 Attachment VI Individual Statement of Changes in Equity 】

TAIWAN FU HSING INDUSTRIAL CO. LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Other equity interest		Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-s ale financial assets	
<u>2016</u>									
Balance at January 1, 2016		\$ 1,884,521	\$ 567,114	\$ 749,806	\$ 48,991	\$ 1,464,803	\$ 139,155	\$ 148,047	\$ 5,002,437
Distribution of 2015 earnings:									
Legal reserve		-	-	79,610	-	(79,610)	-	-	-
Cash dividends	6(14)	-	-	-	-	(527,666)	-	-	(527,666)
Net income for 2016		-	-	-	-	819,739	-	-	819,739
Other comprehensive (loss) income for 2016	6(6)(11)(15)	-	-	-	-	(18,971)	(160,738)	17,859	(161,850)
Balance at December 31, 2016		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 829,416</u>	<u>\$ 48,991</u>	<u>\$ 1,658,295</u>	<u>(\$ 21,583)</u>	<u>\$ 165,906</u>	<u>\$ 5,132,660</u>
<u>2017</u>									
Balance at January 1, 2017		\$ 1,884,521	\$ 567,114	\$ 829,416	\$ 48,991	\$ 1,658,295	(\$ 21,583)	\$ 165,906	\$ 5,132,660
Distribution of 2016 earnings:									
Legal reserve		-	-	81,975	-	(81,975)	-	-	-
Cash dividends	6(14)	-	-	-	-	(527,666)	-	-	(527,666)
Net income for 2017		-	-	-	-	549,976	-	-	549,976
Other comprehensive income for 2017	6(6)(11)(15)	-	-	-	-	(14,321)	(96,781)	(9,477)	(120,579)
Balance at December 31, 2017		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 911,391</u>	<u>\$ 48,991</u>	<u>\$ 1,584,309</u>	<u>(\$ 118,364)</u>	<u>\$ 156,429</u>	<u>\$ 5,034,391</u>

Chairman: LIN, Jui-Chang

President: CHEN, Chien-Kun

Accounting Officer: LI, Kuo-Wei

【Attachment VII Individual Cash Flow Statement】

TAIWAN FU HSING INDUSTRIAL CO. LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 646,116	\$ 992,537
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(9)(19)	45,617	50,565
Amortization	6(19)	2,071	2,506
Reversal of allowance for bad debts	6(3) and 7	(23)	(1,464)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(18)	(627)	(2,800)
Share of profit of associates and joint ventures accounted for using equity method		(222,736)	(510,492)
Interest income	6(17)	(12,632)	(6,912)
Dividend income	6(17)	(21,990)	(29,090)
Interest expense		260	24
Loss on disposal of property, plant and equipment	6(18)	-	71
Gain on disposal of investments	6(18)	(1,651)	(855)
Exchange differences on translation of foreign financial statements that will be reclassified to profit or loss		(43,336)	-
Impairment loss	6(8)(18)	-	70,983
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		72,878	374,498
Notes receivable		(1,306)	(3,114)
Accounts receivable		179,060	(54,427)
Accounts receivable - related parties		(16,608)	3,403
Other accounts receivable - related parties		(10,633)	36,806
Inventories, net		10,705	(20,580)
Other financial assets - current		696	2,726
Other current assets - others		2,917	(5,864)
Changes in operating liabilities			
Notes payable		5,224	2,835
Accounts payable		(28,513)	31,113
Accounts payable - related parties		(35,042)	68,578
Other payables		(42,690)	3,327
Other payables - related parties		(7,014)	1,476
Other current liabilities - others		(646)	2,339
Net defined benefit liability, non-current		(31,956)	(111,744)
Cash inflow generated from operations		488,141	896,445
Interest received		11,044	6,517
Dividends received		491,536	155,319
Interest paid		(260)	(24)
Income tax paid		(87,837)	(172,967)
Net cash flows from operating activities		<u>902,624</u>	<u>885,290</u>

TAIWAN FU HSING INDUSTRIAL CO. LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Other accounts receivable - related parties(financed funds)	7	(\$ 15,088)	\$ -
Increase in other financial assets - current		(101,705)	-
Proceeds from disposal of financial assets carried at cost		1,643	-
Increase in investment accounted for under the equity method		(494,000)	(5,320)
Return of share capital from long-term equity investment accounted for under the equity method		2,835	46,501
Acquisition of property, plant and equipment	6(23)	(30,076)	(14,663)
Increase in prepaid equipment		(29,018)	(23,582)
Proceeds from disposal of property, plant and equipment	7	172,410	2,553
Acquisition of intangible assets		(3,558)	(2,212)
Decrease(increase) in other financial assets – non-current		<u>48,375</u>	<u>(48,386)</u>
Net cash flows used in investing activities		<u>(448,182)</u>	<u>(45,109)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid	6(14)	<u>(527,666)</u>	<u>(527,666)</u>
Net cash flows used in financing activities		<u>(527,666)</u>	<u>(527,666)</u>
Net (decrease) increase in cash and cash equivalents		(73,224)	312,515
Cash and cash equivalents at beginning of year	6(1)	<u>882,344</u>	<u>569,829</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 809,120</u>	<u>\$ 882,344</u>

【Attachment VIII Independent Auditor’s Report (II)】

Independent Auditor’s Report

Independent Auditor’s Report

(2018)Cai-shen-bao-zi 17004393

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

Audit Opinion

We have audited the attached financial statements of Taiwan Fu Hsing Industrial Co., Ltd. and its subsidiaries (hereinafter – the “Group”) which comprise the balance sheet as of 31 December 2017 and 2016, statement of financial results, statement of changes in equity and statement of cash flows for 2017 and 2016, and notes to the consolidated financial statements (including summaries of important accounting policies).

In our opinion, the above consolidated financial statements were compiled in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” in all material aspects and were presented fairly to express the individual company’s financial position as of Dec. 31, 2016 and Dec. 31, 2017, as well as consolidated company’s financial performance and cash flows in the period from Jan. 1 to Dec. 31st, 2016 and 2017.

Basis of Audit Opinion

We conducted our audits in accordance with “Regulations governing auditing and attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards of R.O.C. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believed the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Fu Hsing Group’s 2017 consolidated financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on those matters.

Cut-off on sales recognition

Explanation

Please refer to consolidated financial report note 4 for sales recognition polity (29).

Fu Hsing Group does mainly export business and the Group shall recognize sales when merchandise’s ownership related significant risks and profits have been transferred to its customers according to the Group’s sales order, contract or other transaction relation agreements. However, sometimes the timing to recognize sales may involve non-computerized sales condition confirmation and double-checking, so as to cause sales recognition cut offs when the closing period of current fiscal year comes. Therefore, we listed the sales recognition cut-off matter as one of the most significant matters in this fiscal year.

How our audit addressed the matter

We perform the following audit procedures on the above key audit matter.

1. Understanding, evaluating, and testing Fu Hsing Group’s internal control procedures design and execution on this sales recognition matter.
2. Carrying out cut-off test on sales recognition during the period right before and after the closing of current period’s

financial statements, verifying sales recognition related evidence and document, and assuring the adequacy of the sales recognition timing according to the transaction conditions.

Allowance for Inventory Valuation Loss

Explanation

For a summary of the significant accounting policies on inventory valuation, refer to Note 4 to the consolidated financial statements (12). Refer to Note 5 to the consolidated financial statements for accounting estimates and the uncertainties in relation to such estimates. Refer to Note 6 (4) to the consolidated financial statements for accounts of inventory.

Fu Hsing Group calculate the cost of inventory based on cost or net realizable value, whichever is lower. Because Fu Hsing Group's inventories contain a diversity of product items and the evaluation on the net realizable value may involve subjective judgment. The estimations may be causing uncertainty. Therefore, we listed the allowance for inventory valuation loss as one of the most significant matters in current year's audit.

How our audit addressed the matter

We perform the following audit procedures on the above key audit matter.

1. Evaluating whether the Group's allowance policy and process in relation to inventory valuation loss is reasonable based on our understanding on the operation of Fu Hsing Group and the industry's characteristics. The evaluation included inventory closeout level, determinations on the reasonableness of obsolete and aged inventories, and the consistency of the adopted accounting method.
2. Verifying whether the presentation of the inventory loss evaluation on the financial statements is consistent with the Group's policy, randomly sampling inventory number to verify the level of inventory closeout, so as to evaluate the adequacy of the allowance for inventory valuation loss.

Other Matters - The report of other independent accountants

We did not audit the financial statements of certain consolidated companies. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amount included in the financial statements relative to these consolidated subsidiaries, is based solely on the audit reports of other independent auditors. Total asset of such subsidiaries at the end of Dec. 31, 2017 and 2016 was 471,636 New Taiwan Dollars and 351,553 thousand New Taiwan Dollars, which were 6% and 5% of the total consolidated assets respectively. Sales from such consolidated subsidiaries was 303,484 thousand New Taiwan Dollars and 332,740 thousand New Taiwan Dollars in the period of Jan. 1 to Dec. 31 in 2017 and 2016 respectively, and constituted both 4% of the total revenues in the year of 2017 and 2016.

Other Matter - Individual Financial Statements

We have also audited the parent company only financial statements of Taiwan Fu Hsing Industrial Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

but to do so.

Those charged with governance (including supervisors) of the Fu Hsing Group, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are WANG, Kuo-Hua and LIAO, A-Shen of the PwC Taiwan.

Certified by former Securities and Futures Commission, Ministry of Finance:

(87) Tai-cai-zheng(6) 68790

Certified by former Financial Supervisory Commission, Executive Yuan:

Jin-guang-zheng-shen-zi 1010015969

March 23, 2018

【 Attachment IX Consolidated Balance Sheets 】

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,036,236	27	\$ 2,315,324	31
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		-	-	112,151	2
1150	Notes receivable, net		35,715	-	34,568	-
1170	Accounts receivable, net	6(3)	1,477,291	20	1,665,716	22
130X	Inventories	6(4)	898,947	12	786,047	10
1476	Other current financial assets	6(5)	117,751	2	113,540	2
1479	Other current assets, others		108,166	1	92,756	1
11XX	Current Assets		<u>4,674,106</u>	<u>62</u>	<u>5,120,102</u>	<u>68</u>
Non-current assets						
1523	Available-for-sale financial assets	6(6)				
	- noncurrent		409,815	5	419,292	5
1543	Financial assets carried at cost -	6(7)				
	noncurrent		18,000	-	18,000	-
1550	Investments accounted for under	6(8)				
	equity method		47,027	1	80,719	1
1600	Property, plant and equipment	6(9) and 8	2,139,098	29	1,715,994	23
1780	Intangible assets	6(10)	26,800	-	26,198	-
1840	Deferred income tax assets	6(24)	50,149	1	44,710	1
1980	Other non-current financial assets	8	39,403	1	85,529	1
1985	Long-term prepaid rents	6(11)	38,597	-	40,204	1
1990	Other non-current assets, others		38,543	1	29,090	-
15XX	Non-current assets		<u>2,807,432</u>	<u>38</u>	<u>2,459,736</u>	<u>32</u>
1XXX	Total assets		<u>\$ 7,481,538</u>	<u>100</u>	<u>\$ 7,579,838</u>	<u>100</u>

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$ -	-	\$ 162	-
2150	Notes payable		262,160	3	271,527	4
2170	Accounts payable		954,649	13	925,694	12
2200	Other payables	6(12)	570,513	8	591,006	8
2220	Other payables - related parties	7	20,728	-	27,477	-
2230	Current income tax liabilities		116,372	1	68,648	1
2399	Other current liabilities, others	6(13) and 8	48,358	1	64,540	1
21XX	Current Liabilities		<u>1,972,780</u>	<u>26</u>	<u>1,949,054</u>	<u>26</u>
Non-current liabilities						
2540	Long-term borrowings	6(13) and 8	89,020	1	32,250	-
2570	Deferred income tax liabilities	6(23)	97,360	2	168,706	2
2640	Accrued pension liabilities	6(14)	170,799	2	186,291	3
25XX	Non-current liabilities		<u>357,179</u>	<u>5</u>	<u>387,247</u>	<u>5</u>
2XXX	Total Liabilities		<u>2,329,959</u>	<u>31</u>	<u>2,336,301</u>	<u>31</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(15)	1,884,521	25	1,884,521	25
Capital surplus						
3200	Capital surplus	6(16)	567,114	8	567,114	7
Retained earnings						
3310	Legal reserve	6(17)(23)	911,391	12	829,416	11
3320	Special reserve		48,991	1	48,991	1
3350	Unappropriated retained earnings		1,584,309	21	1,658,295	22
Other equity interest						
3400	Other equity interest	6(18)	38,065	-	144,323	2
31XX	Equity attributable to owners of the parent		<u>5,034,391</u>	<u>67</u>	<u>5,132,660</u>	<u>68</u>
36XX	Non-controlling interest		<u>117,188</u>	<u>2</u>	<u>110,877</u>	<u>1</u>
3XXX	Total equity		<u>5,151,579</u>	<u>69</u>	<u>5,243,537</u>	<u>69</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 7,481,538</u>	<u>100</u>	<u>\$ 7,579,838</u>	<u>100</u>

【Attachment X Consolidated Income Statements】

**TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue		\$ 8,006,401	100	\$ 8,398,732	100
5000 Operating costs	6(4)(21)(22)	(6,363,945)	(80)	(6,283,371)	(75)
5900 Net operating margin		<u>1,642,456</u>	<u>20</u>	<u>2,115,361</u>	<u>25</u>
Operating expenses	6(21)(22) and 7				
6100 Selling expenses		(348,609)	(4)	(408,930)	(5)
6200 General and administrative expenses		(314,009)	(4)	(396,980)	(5)
6300 Research and development expenses		(171,474)	(2)	(202,657)	(2)
6000 Total operating expenses		(834,092)	(10)	(1,008,567)	(12)
6900 Operating profit		<u>808,364</u>	<u>10</u>	<u>1,106,794</u>	<u>13</u>
Non-operating income and expenses					
7010 Other income	6(19)	68,272	1	67,279	1
7020 Other gains and losses	6(20)	(162,909)	(2)	(47,223)	-
7050 Finance costs		(1,395)	-	(627)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(8)	<u>26,266</u>	<u>-</u>	<u>34,373</u>	<u>-</u>
7000 Total non-operating income and expenses		(69,766)	(1)	<u>53,802</u>	<u>1</u>
7900 Profit before income tax		738,598	9	1,160,596	14
7950 Income tax expense	6(23)	(169,251)	(2)	(335,351)	(4)
8200 Profit for the year		<u>\$ 569,347</u>	<u>7</u>	<u>\$ 825,245</u>	<u>10</u>

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(14)			
		(\$ 18,167)	-	(\$ 23,814)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)			
		3,088	-	4,049	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
		(15,079)	-	(19,765)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)			
		(96,908)	(1)	(161,471)	(2)
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(6)(18)			
		(9,477)	-	17,859	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
		(106,385)	(1)	(143,612)	(2)
8300	Total other comprehensive income for the year				
		(\$ 121,464)	(1)	(\$ 163,377)	(2)
8500	Total comprehensive income for the year				
		\$ 447,883	6	\$ 661,868	8
Profit, attributable to:					
8610	Owners of the parent				
		\$ 549,976	7	\$ 819,739	10
8620	Non-controlling interest				
		19,371	-	5,506	-
		\$ 569,347	7	\$ 825,245	10
Comprehensive income attributable to:					
8710	Owners of the parent				
		\$ 429,397	6	\$ 657,889	8
8720	Non-controlling interest				
		18,486	-	3,979	-
		\$ 447,883	6	\$ 661,868	8
Earnings per share					
9750	Total basic earnings per share	6(24)			
		\$	2.92	\$	4.35
9850	Total diluted earnings per share				
		\$	2.86	\$	4.30

【 Attachment XI Consolidated Statement of Changes in Equity 】

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										
	Notes	Retained Earnings					Other equity interest		Total	Non-controlling interest	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets			
<u>2016</u>											
Balance at January 1, 2016		\$ 1,884,521	\$ 567,114	\$ 749,806	\$ 48,991	\$ 1,464,803	\$ 139,155	\$ 148,047	\$ 5,002,437	\$ 121,227	\$ 5,123,664
Distribution of 2015 earnings:											
Legal reserve		-	-	79,610	-	(79,610)	-	-	-	-	-
Cash dividends	6(17)	-	-	-	-	(527,666)	-	-	(527,666)	-	(527,666)
Net income for 2016		-	-	-	-	819,739	-	-	819,739	5,506	825,245
Other comprehensive (loss) income for 2016	6(6)(18)	-	-	-	-	(18,971)	(160,738)	17,859	(161,850)	(1,527)	(163,377)
Cash dividends distributed to non-controlling interest		-	-	-	-	-	-	-	-	(14,329)	(14,329)
Balance at December 31, 2016		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 829,416</u>	<u>\$ 48,991</u>	<u>\$ 1,658,295</u>	<u>(\$ 21,583)</u>	<u>\$ 165,906</u>	<u>\$ 5,132,660</u>	<u>\$ 110,877</u>	<u>\$ 5,243,537</u>
<u>2017</u>											
Balance at January 1, 2017		\$ 1,884,521	\$ 567,114	\$ 829,416	\$ 48,991	\$ 1,658,295	(\$ 21,583)	\$ 165,906	\$ 5,132,660	\$ 110,877	\$ 5,243,537
Distribution of 2016 earnings:											
Legal reserve		-	-	81,975	-	(81,975)	-	-	-	-	-
Cash dividends	6(17)	-	-	-	-	(527,666)	-	-	(527,666)	-	(527,666)
Net income for 2017		-	-	-	-	549,976	-	-	549,976	19,371	569,347
Other comprehensive loss for 2017	6(6)(18)	-	-	-	-	(14,321)	(96,781)	(9,477)	(120,579)	(885)	(121,464)
Cash dividends distributed to non-controlling interest		-	-	-	-	-	-	-	-	(12,175)	(12,175)
Balance at December 31, 2017		<u>\$ 1,884,521</u>	<u>\$ 567,114</u>	<u>\$ 911,391</u>	<u>\$ 48,991</u>	<u>\$ 1,584,309</u>	<u>(\$ 118,364)</u>	<u>\$ 156,429</u>	<u>\$ 5,034,391</u>	<u>\$ 117,188</u>	<u>\$ 5,151,579</u>

【 Attachment XII Consolidated Cash Flow Statement 】

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
Profit before tax		\$ 738,598	\$ 1,160,596
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(9)(21)	150,232	162,247
Amortization	6(21)	18,772	36,340
Provision (reversal of provision) for bad debts	6(3)	43	(1,245)
Net gain on financial assets or liabilities at fair value through profit or loss	6(20)	(737)	(3,112)
Share of profit of associates and joint ventures accounted for using equity method		(26,266)	(34,373)
Interest income	6(19)	(28,596)	(14,878)
Dividend income	6(19)	(21,990)	(29,090)
Interest expense		1,395	627
Loss on disposal of property, plant and equipment	6(20)	2,445	11,089
Gain on disposal of investments	6(20)	(1,741)	(918)
Exchange differences on translation of foreign financial statements that will be reclassified to profit or loss		(43,336)	-
Impairment loss	6(10)(20)	-	83,806
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		113,165	374,865
Notes receivable		(1,147)	(7,850)
Accounts receivable		182,551	(92,467)
Inventories		(118,491)	(6,172)
Other financial assets — current		2,737	5,102
Other current assets — others		(26,180)	(35,775)
Changes in operating liabilities			
Notes payable		(9,367)	(14,894)
Accounts payable		38,499	153,823
Other payables		(60,774)	19,955
Other payables to related parties		(6,749)	74,590
Other current liabilities — others		(22,873)	21,318
Net defined benefit liability, non-current		(33,659)	(113,362)
Cash inflow generated from operations		846,531	1,750,222
Interest received		27,074	14,473
Dividends received		72,721	72,398
Interest paid		(1,395)	(627)
Income tax paid		(167,002)	(359,870)
Net cash flows from operating activities		777,929	1,476,596

【Attachment XII Consolidated Cash Flow Statement】

TAIWAN FU HSING INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<u>CASH FLOWS FROM INVESTING</u>			
<u>ACTIVITIES</u>			
Increase in other financial assets – current		(\$ 8,002)	(\$ 94,141)
Proceeds from disposal of financial assets carried at cost		1,643	-
Return of share capital from long-term equity investments accounted for under the equity method		2,835	46,501
Acquisition of property, plant and equipment	6(26)	(419,390)	(68,925)
Increase in prepaid equipment		(135,269)	(28,302)
Proceeds from disposal of property, plant and equipment		2,376	4,323
Acquisition of intangible assets	6(10)	(3,584)	(2,762)
Decrease (increase) in other financial assets – non-current		45,762	(55,080)
Increase in other non-current assets – others		(10,382)	(3,198)
Net cash flows used in investing activities		(524,011)	(201,584)
<u>CASH FLOWS FROM FINANCING</u>			
<u>ACTIVITIES</u>			
Proceeds from long-term debt		97,000	48,390
Repayments of long-term debt		(30,430)	-
Cash dividends paid	6(17)	(527,666)	(527,666)
Cash dividends distributed to non-controlling interest		(12,175)	(14,329)
Net cash flows used in financing activities		(473,271)	(493,605)
Effect of exchange rate changes on cash and cash equivalents		(59,735)	(94,524)
Net (decrease) increase in cash and cash equivalents		(279,088)	686,883
Cash and cash equivalents at beginning of year	6(1)	2,315,324	1,628,441
Cash and cash equivalents at end of year	6(1)	\$ 2,036,236	\$ 2,315,324

【Attachment XIII Earnings Distribution Table】

Taiwan Fu Hsing Industrial Co., Ltd.
2017 Earnings Distribution Table

Unit: NT\$1.00

Beginning retained earnings	1,048,653,655
2017 other income/loss	(14,320,183)
2017 net profit after tax	549,975,871
10% legal reserve	(54,997,587)
Distributable net profit	1,529,311,756
Distributable items:	
Cash dividend to shareholders (\$2.0/share)	(376,904,340)
Ending un-appropriated earnings	1,152,407,416

Note:

- 1.The year's earnings should be distributed firstly from the 2017 net profits after tax.
- 2.According to the regulatory requirements in the Correspondence Jin-Guan-Zheng-Fa-Zi No. 1010012865, because the company chose to adopt the I.F.R.S. No.1 Exemption, a special reserve of \$48,991,656 was appropriated based on retained earnings transferred from accumulative equity adjustments. The special reserve in 2017 was not reversed.
- 3.The amount of cash dividend distribution was calculated based on the total outstanding shares of 188,452,170 on Dec. 31st, 2017.

Chairman: LIN, Jui-Chang

Manager: CHEN, Chien-Kun

Accounting Officer: LI, Kuo-Wei

III. Appendix

Appendix I Articles of Incorporation

Taiwan Fu Hsing Industrial Co., Ltd. Articles of Incorporation

Chapter 1 General Principles

Article 1: The Company is incorporated in accordance with the Company Act and shall have the name of Taiwan Fu Hsing Industrial Co., Ltd.

Article 2: The Company shall conduct business in the following areas:

1. CA04010 Metal Surface Treating
2. CA02070 Lock Manufacturing
3. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
4. CD01030 Automobiles and Parts Manufacturing
5. CD01040 Motor Vehicles and Parts Manufacturing
6. F214030 Retail Sale of Motor Vehicle Parts and Supplies
7. CQ01010 Die Manufacturing
8. F206030 Retail Sale of Die
9. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
10. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
11. CA02080 Metal Forging Industry
12. CA01090 Aluminum Casting Manufacturing
13. CA01990 Other Non-Ferrous Metal Basics Industries
14. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company has its head-office in Kaohsiung City. Subject to the resolution of the Board of Directors, the Company may, if necessary, set up subsidiaries in any other places.

Article 3-1: The Company may make any investment in other businesses in a total amount not restricted by the Company Act, provided that any long-term equity investment shall be made with the resolution of the Board of Directors.

Article 3-2: The Company may make guarantees to other companies to meet business needs.

Article 4: Aborted

Chapter 2 Shares

- Article 5: The total capital of the Company is two billion four hundred twenty four million New Taiwan Dollars divided into two hundred forty two million shares, at ten New Taiwan Dollars per share, issued in installments by the Board of Directors under authorization. Of the total capital, one hundred million dollars, divided into ten million shares, at ten dollars per share, is reserved for issuance of stock warrants, preferred shares with warrants or equity warrant bonds, and may be issued in installments by resolution of the Board of Directors.
- Article 5-1: The Company may, at the request by Taiwan Depository & Clearing Corporation, change to issue all securities of greater par value to meet the requirement of stock process.
- Article 6: Shares certificates of the Company shall be in registered form, affixed with signatures or seals of three or more directors, and shall be issued after certification by the laws. The Company may elect not to have share certificate printed on the shares issued.
Shares issued by the previous passage shall be registered with the institution for securities depository.
- Article 7: The Company shall register the names and addresses of its shareholders in the list of shareholders and keep their seal specimens at the Company for record. Share dividend collection or exercise of other rights shall all be processed with such seal, which, if damaged, lost or changed, shall be processed by the “Regulations Governing the Administration of Shareholder Services of Public Companies” set out by the authority concerned.
- Article 8: Application for transfer or pledge of shares shall be filed by the transfer and the transferee, or the pledger and pledgee, both signing their names, with the Company to change account names or register the rights pledged. Where a shareholder obtains the stock via inheritance, gift or other legal reasons, shall further attach legal documents. No transfer, inheritance or gift of the shares may be asserted against the Company without having been recorded in the shareholders’ register, with the name of the receiver put and the Company’s seal affixed on the stocks.
- Article 9: Where a stock certificate is lost, the applicant shall notify the Company of the same and apply, within five days, to the courts under the Code of Civil Procedure for public announcement of the event. When the court

ruling of the stock certificates being void is made, the applicant shall apply to the Company for issuance of replacement stocks by attaching documents evidencing such court judgment.

The Company may commission a stock transfer agency to process the registration, change, transfer, pledge and declaration of loss of the shareholders and share certificates referred to in the previous passage.

Article 10: The Company may charge for the cost as appropriate on the transfer of stocks or replacement issuance for a loss, or re-issuance for reason of consolidation, division, destruction, etc.

Article 11: All transfers of the shares of the Company will be suspended within sixty days prior to the meeting date of the general shareholders meeting, thirty days prior to the meeting date of the special shareholders meeting, or five days prior to the date of distribution of dividend, bonus or other benefits.

Chapter 3 Shareholders' Meetings

Article 12: Shareholders' meetings shall be of two types, general meetings and special meetings. General meetings shall be convened at least once a year, within six months from the end of each fiscal year. Special meetings shall be convened in accordance with the law, whenever necessary.

Article 13: Shareholders may designate a proxy to attend a shareholders' meeting with a power of attorney printed and released by the Company, signed and affixed with the seal specimen kept at the Company by the shareholders in accordance with "Regulations regarding the use of proxy in shareholders' meetings of public firms".

Article 14: The shareholders' meeting is presided by the president of the Board of Directors or proceeds by Article 208 of the Company Act in the case that the president is on leave or is absent for any reason.

Article 15: Except those shares being restricted or excluded under the Company Act, each share of the Company has one voting right.

Article 16: Except otherwise provided by relevant laws, a resolution of the shareholders' meeting shall be adopted by the majority of the votes represented by the attending shareholders who hold the majority of the Company's issued shares.

Article 17: The resolution adopted by the shareholders meeting shall be recorded as minutes, signed by or affixed with the seal of the chairperson and

distributed to shareholders within twenty (20) days after the meetings.

The preparation and distribution of the meeting's minutes referred to in the preceding paragraph may be made electronically.

The distribution of the meeting's minutes referred to in the first paragraph may be made by public pronouncement.

Chapter 4 Directors and supervisors

Article 18: The Company shall have five to seven directors and two to three supervisors in the Board of Directors, who will be elected from among the persons with disposing capacity by the Board of Shareholders. The term of office for director and supervisor is three years, which may be re-elected. The company should elect at least two independent directors among the seats and total number of independent directors should not be less than one fifth of the total board seats. The company adopts candidate nomination system to elect independent directors, which should be elected from the list of candidate during the Shareholders' Meeting. The terms "professional qualification", "shareholding", "concurrent serving restriction", and "independency" shall have the meanings as determined under regulations made by the securities supervisory body.

The total number of registered shares of the Company held by all directors and supervisors shall be subject to the regulations of the securities supervisory body.

The directors of the public company shall be elected in accordance with Article 198 of the Company Act, with independent and non-independent directors elected at the same time, but in separately calculated numbers. Candidates receiving more votes are elected as the company's directors and independent directors.

Article 18-1: The set up of seat for independent directors shall become effective from the year of reelection of the company's directors and supervisors due to the expiration of the term of office of current directors and supervisors in 2017.

- Article 19: When the number of vacancies in the Board of Directors equals to one-third of the total number of directors, or when all the supervisors are dismissed, the Board of Directors shall call, within sixty days, a special meeting of shareholders to elect succeeding directors or supervisors to fill the vacancies. The term of office of the directors- or supervisors-elect shall be limited to the original term.
- Article 20: The Board of Directors shall be formed by directors. The President of the Company shall be elected from among the directors by a majority vote at the meeting attended by two-third of the directors to execute all the Company's affairs by the laws, Articles of Incorporation and resolutions of the shareholders' meeting and the Board of Directors.
- Article 20-1: The meeting of Board of Directors shall be convened by given notice in writing and by mail, by e-mail or via fax to the directors and the supervisors seven days in advance, or, in case of urgency, may be convened at any time.
- Article 21: The Board of Directors decides in the guidance for the Company's operation and other major matters. The very first meeting of Board of Directors in its term shall be convened and presided by the director who had the most votes; any other meeting of Board of Directors shall be convened and presided by the president of the Board, who, when unable to exercise his duties, will appoint a director to convene and preside a meeting; if such appointment is not made, one is elected from among the directors to take the place.
- Article 22: Unless otherwise provided by relevant laws, a resolution of the Board of Directors shall be made with the approval by a majority at the meeting attended by more than half of the directors. When a director is unable to attend a meeting, he may produce the power of attorney printed and issued by the Company, stating the scope of authorization regarding the reason of convention to appoint one attending director on his behalf, provided that a director shall be on behalf of only one person.
- A resolution shall be recorded in the minutes of meeting, signed by the President or affixed with his seal to be permanently preserved during the existence of the Company.
- Article 23: Supervisors perform their duties by the laws and may attend the meeting of Board of Directors without voting right.
- Article 23-1: The Board of Directors is authorized to decide the remuneration for directors and supervisors based on the extent to which they are

involved in the Company's operation and the value of their contribution, to be paid for by reference of those common in similar industries.

Chapter 5 Management

Article 24: The Company may have managers, whose appointment, removal, and remuneration shall be made subject to the provisions in Article 29 of the Company Act.

Chapter 6 Accounting and distribution of surplus

Article 25: The fiscal year of the Company is a calendar year; the end of each year is the closing period. After the end of each fiscal year, the Board of Directors shall prepare by the law the following documents and have the same audited by the supervisors thirty days prior to the shareholders' meeting before submitting to the shareholders' meeting for acknowledgment.

1. Business report;
2. Financial statements;
3. Proposal for allocation of surplus profits or making up loss.

Article 26: Aborted.

Article 26-1: The Company shall distribute no less than five percent of the current fiscal year's profit to its employees as employee remunerations and shall distribute no more than five percent of the current fiscal year's profit to its directors and supervisors as remunerations. Nevertheless, the company shall make up the accumulated loss, if any, first before such remuneration distribution. The Company's bonus for employees may be distributed in cash or with stocks, and the distribution objects may include employees of the company's affiliated companies; in this case, the Chairman has the right to define the distribution conditions.

The aforementioned current fiscal year's profit is referring to the net income before tax of the current fiscal year before deducting the distribution of remunerations to employees and directors/supervisors.

The proposal of remuneration to employees and

directors/supervisors should be resolved during the Board of Directors' Meeting with more than two third of directors presence in the meeting and approvals from at least one half of the presenting directors. The resolved proposal shall report to the shareholders during the Shareholders' Meeting.

Article 27: Each year, if there is surplus after closing, the Company shall, after paying income tax and covering all losses till then, set aside 10 percent of the surplus profits as legal reserve, except when such legal reserve amounts to the total capital. The Board of Directors shall then propose an earning distribution proposal and send to the Shareholders' Meeting for resolution.

The appropriate of the aforementioned legal reserve may not be required when the accumulated legal reserve has amounted to the total capital. The Company adopts the policy of surplus dividends in consideration of funding needs in future and overall investment situation, long-term financial planning, domestic and global competition situation, and as well as shareholders' needs for cash inflow. Each year, the company shall appropriate no less than thirty percent of earning surplus for shareholders as dividends, which may be distributed in case or with stock, only that the cash dividend should not be less than fifty percent of the total payout.

Article 28: Aborted.

Chapter 7 Supplementary Regulations

Article 29: Matters not provided in these Articles of Incorporation shall be in accordance with the Company Act.

Article 30: The Company's organic regulations and procedures are set out separately by the resolution of the Board of Directors.

Article 31: These Articles of Incorporation were enacted on October 20, 1957; First amendment on February 9, 1964; Second amendment on December 20, 1970; Third amendment on April 20, 1975; Fourth amendment on April 26, 1976; Fifth amendment on January 17, 1981; Sixth amendment on March, 1, 1981; Seventh amendment on October 8, 1983; Eighth amendment on April 6, 1984; Ninth amendment on June 23, 1984; 10th amendment on April 6, 1986; 11th amendment on June 3, 1986; 12th amendment on July 24, 1989; 13th

amendment on May 10, 1990; 14th amendment on June 25, 1991; 15th amendment on December 30, 1991; 16th amendment on June 16, 1992; 17th amendment on December 17, 1992; 18th amendment on June 17, 1993; 19th amendment on April 27, 1994; 20th amendment on October 26, 1994; 21st amendment on April 22, 1995; 22nd amendment on May 22, 1996; 23rd amendment on April 19, 1997; 24th amendment on April 16, 1999; 25th amendment on May 19, 2000; 26th amendment on May 22, 2001; 27th amendment on May 31, 2002; 28th amendment on May 31, 2005; 29th amendment on May 30, 2006; 30th amendment on May 30, 2008; 31st amendment on May 27, 2009; 32nd amendment on May 27, 2010; 33rd amendment on June 15, 2011; 34th amendment on June 15, 2012; 35th amendment on June 17, 2015; 36th amendment on June 24, 2016.

Taiwan Fu Hsing Industrial Co., Ltd.
LIN, Jui-Chang
Chairman

Appendix 2 Rules and Procedures of Shareholders' Meeting

Taiwan Fu Hsing Industrial Co., Ltd.

Rules and Procedures of Shareholders Meeting

Article 1 (Basis)

In order to establish a sound governance system of the Company's shareholders' meeting, fulfill monitoring and reinforce managerial function, these rules are set forth in accordance with Article 5 of the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" for observance.

Unless otherwise provided by laws or articles, the Company's shareholders' meeting shall be conducted in accordance with these rules and procedures.

Article 2 (Convention and notice of Shareholders' Meeting)

Unless otherwise provided by relevant laws, the Company's Shareholders' Meeting shall be convened by the Board of Directors.

The Company shall prepare, in electronic form, a notice of Shareholders' Meeting, power of attorney form, relevant approvals, agenda, reasons and explanations of issues such as election or dismissal of directors and supervisors and post on the website of open data 30 days prior to a general meeting or 15 days prior to a special meeting. The Company shall also post the manual of procedures of Shareholders' Meeting and supplementary materials on the meeting in electronic form on the same website 21 days prior to a general meeting or 15 days prior to a special meeting. The said manual and supplementary materials shall be made available 15 days prior to a Shareholders' Meeting to shareholders at request at any time and be displayed at the site of the Company and its appointed stock agency and shall be handed out at the venue of the meeting.

Notices and announcements shall expressly contain the reason of convention; a notice may be made electronically with the consent from the recipients.

Election or dismissal of directors and supervisors, modifications to the articles of incorporation, corporate disbandment, merger, division or the matters specified in Paragraph 1, Article 185 of the

Company Act and Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the reasons of convention and may not be proposed as ad hoc motions.

Shareholders holding one percent or more of the total issued shares may propose in writing to the Company a proposal for discussion at a general meeting, provided that only one matter shall be allowed in each single proposal.

The Board of Directors may dismiss any proposal by the shareholder(s) that is in any of the cases provided in Paragraph 4, Article 172-1 of the Company Act.

Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the company shall give a public notice announcing the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.

The number of words of a proposal submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting and take part in the discussion of such proposal.

The company shall, prior to the date of giving the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and list in the notice of shareholders' meeting the proposals conforming to the requirements set out in this Article. With regard to the shareholder proposals that are dismissed, the cause of such dismissal and explanation shall be presented by the Board of Directors at the shareholders' meeting.

Article 3 (Proxy)

A shareholder may appoint a proxy to attend a general meeting on his behalf by producing a power of attorney prepared by the Company expressly stating the scope of power authorized to the proxy.

A shareholder may produce only one power of attorney and appoint only one proxy for each general meeting, and shall serve such power of attorney to the Company no later than five days prior to the meeting date. In case the Company receives two or more power of attorney forms from one shareholder, the first one arriving at the Company shall prevail unless it is revoked by an explicit statement.

After the service of his power of attorney of a proxy to the Company, in case the shareholder intends to attend the shareholders' meeting in person or to exercise his voting right in written or electronic form, a proxy rescission notice shall be filed with the Company at least two days prior to the date of the shareholders' meeting; otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article 4 (Place and time of the meeting)

The Shareholders' Meeting shall be held where the Company is or at any other appropriate place that is convenient for the shareholders to attend. The Meeting shall commence not earlier than 9:00 a.m. no later than 3:00 p.m.

Article 5 (Preparation for sign-in)

The Company shall expressly specify on the notice of meeting the sign-in time and place and other important matters for shareholders.

The sign-in time referred to in the preceding paragraph shall open at least thirty minutes prior to the commencement of the meeting. The place of sign-in shall be marked clearly and have adequate number of competent persons to receive the shareholders.

A shareholder in person or his proxy (hereinafter called the "Shareholder") shall attend the Shareholders' Meeting by presenting his attendance card, sign-in card or other certificate of attendance.

The company should not ask for additional certified document from shareholders with the presence of the original certificate of

attendance. A solicitor of power of attorney shall also carry his I.D. document for checking.

The Company shall have sign-in book for the attending shareholders to sign on, or, otherwise, they will turn in their sign-in cards instead. The Company shall hand the agenda handbook, annual report, attendance certificate, speech notes, resolution ballots and other meeting materials to the attending shareholders, and, additionally, voting ballots if election of directors and supervisors is to be held.

Where the government or a corporation is a shareholder, more than one person as the proxy may attend the Shareholders' Meeting. Where a corporation attends the Meeting on behalf, only one person may attend.

Article 6 (Chairman of Shareholders' Meeting and other attendance)

Where a Shareholders' Meeting is convened by the Board of Directors, the meeting is presided by the President of the Board, or, when the President is on leave or unable to perform his duty for any reason, by the Deputy President, or, when there is no Deputy President or the Deputy President is on leave or unable to perform his duty for any reason, by an executive director designated by the President, or, if there are no executive directors, any person designated by the President, or, if the President designates none, by anyone elected from among the executive directors or the directors.

Where an executive director or a director presides the Meeting as provided in the preceding paragraph, he shall have taken the office for more than six months and be comprehended of the Company's financial and business status. The same applies when the Meeting is convened by a person who represents a corporate director.

It is advisable that a Shareholders' Meeting being convened by the company's Chairman in person and is attended by more than half of the total number of the directors and is at least with one supervisor personally presenting. The attendance situation shall also be recorded in the meeting minutes of the Shareholders' Meeting. A Shareholders' Meeting convened by any other person outside the Board of Directors that has the right to convene is convened by such

person; when the Meeting is convened by two or more such persons, it shall be presided by one person elected from among these persons. The Company may designate attorneys at law, accounts or related persons to attend the Shareholders' meeting.

Article 7 (Audio/video recording of the session)

The Company shall make uninterrupted audio and video recording of the process of shareholders signing in, the complete meeting session and the process of voting and ballot counting, commencing from the time of shareholders signing in.

The recording materials referred to in the preceding paragraph shall be preserved for at least one year, or, if a legal proceeding is filed by a shareholder under Article 189 of the Company Act, till such legal proceeding ends.

Article 8 (Number of attendance)

The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the signatures on the sign-in book or the attendance cards submitted plus the number of shares exercising the voting right in writing or electronically. The chairman of the Meeting shall pronounce the commencement of the meeting when it is time scheduled for meeting, but may pronounce procrastination of the commencement up to twice, if the Meeting is not attended by the shareholders representing more than half of the issued shares; and such procrastination all together shall not exceed one hour.

When the Meeting is not attended by the shareholders representing more than one third of the issued shares after procrastination twice, the chairman will pronounce a failed convention.

When a lack of a quorum exists after procrastination for twice referred to in the preceding paragraph, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present and a notice of such tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' meeting within one month, pursuant to Article 175 of the Company Act. If bearer share certificates have

been issued, such tentative resolution shall also be publicly announced.

If the shares represented by the shareholders present reach a majority of all the issued shares while the Meeting is not ended, the chairman may re-bring the tentative resolutions up for voting at the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 9 (meeting process)

The agenda of a Shareholders' Meeting shall be set by the Board of Directors and may not be changed without a resolution of the Meeting, if the meeting is convened by the Board of Directors.

Where a Shareholders' Meeting is convened by any person outside the Board of Directors with the right to convene, the provisions of the preceding paragraph apply mutatis mutandis.

Unless otherwise resolved at the Meeting, the chairman may not announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved. In the event that the chairman adjourns the Meeting in violation of these Rules and Procedures, the other members of Board of Directors shall promptly assist by attending the Meeting and elect, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

The proposed resolutions should have sufficient description and discussion, and the chairman may announce to end the discussion of any resolution and go into voting if he deems it appropriate.

Article 10 (Shareholders' speech)

When a shareholder wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's account number (or the number of Attendance card) and the name of the shareholder for the chairman to decide the sequence of speech.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than twice (each time not exceeding three minutes). The chairman may stop a shareholder's speech if it violates the above provision or exceeds the scope of the discussion item.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder may interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself or appoint an appropriate person to respond.

Article 11 (Voting right; Conflict of interest)

Voting at the Shareholders' meeting is according to count of shares.

In resolutions of the Meeting, the number of shares of the shareholders without voting right shall not be counted in the total number of issued shares.

In respect of an item at the Meeting, if a shareholder being stakeholder such that he might be against the interest of the Company, he may not take part in the voting, nor may he exercise the voting right on behalf any other shareholder.

The number of shares being denied of voting right referred to in the preceding paragraph shall not be counted in the number of voting rights by the attending shareholders.

Except for trust enterprises or shareholders' service agencies approved by competent authorities, when a person who acts as the proxy for two or more shareholders, the number of votes represented by him shall not exceed three percent of the total number of votes of the issued shares and, if in excess, the portion of excessive votes represented by such proxy shall not be counted.

Article 12 (Methods for voting, balloting scrutinizing and vote counting)

Unless restricted or without voting right prescribed in Paragraph 2, Article 179 of the Company Act, each share of the shareholder has a voting right.

The voting power at a shareholders' meeting of the Company may be exercised in writing or by way of electronic transmission (pursuant to the Exception of Paragraph 1, Article 177-1 of the Company Act regarding a company required to adopt the electronic transmission as one of the methods for exercising the voting power: at a shareholders' meeting, the Company shall adopt electronic method and may adopt also method in writing as the methods for exercising the voting power). When voting power is to be exercise in writing or electronically, such methods of exercise shall be expressly specified in the notice of a shareholders' meeting. A shareholder, who exercises his voting power in writing or electronically is deemed to attend the Meeting in person, but deemed to waive high right in respect of special motions and amendments to previous discussion items at the same Meeting. It is therefore advisable that the Company avoids bringing up special motions and amendments to previous discussion items

A shareholder who is to exercise his voting power in writing or electronically referred to in the preceding paragraph shall serve his intention in writing to the Company two days prior to the Shareholders' meeting. In case the Company receives two or more such intentions from one shareholder, the first one arriving at the Company shall prevail unless it is revoked by an explicit statement.

In case a shareholder wishes to attend the Shareholders' meeting in person after he has exercised his voting power in writing or electronically, he shall revoke his intention to exercise the voting power referred to in the preceding paragraph by the same method two days prior to the Shareholders' meeting; if he fails to revoke within the time given, his voting power exercised in writing or electronically shall prevail. In case a shareholder both exercise his voting power in writing or electronically and designates a proxy by producing power of attorney to attend the Shareholders' meeting, the voting power exercised by such proxy shall prevail.

Except otherwise provided by the Company Act or the Company's Articles of Incorporation, a resolution shall be passed by a majority of the votes represented by the attending shareholders. In voting, the

chairman or his designated person shall announce the total number of voting rights of the attending shareholders before they cast their ballots. The number of the votes in favor of, against and waiver of that resolution shall be inputted in the website of open data on the same day of the Meeting.

A discussion item is deemed passed when none of attending shareholders expressed otherwise after the chairman enquired the entire body of attendance, and has the equal effect to one decided by voting. But, if there is any voice against such resolution, a voting by the method prescribed in the preceding paragraph shall be adopted.

If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for the amendment or the substitute such discussion together with the original discussion item. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s).

At a shareholders' meeting, the voting or ballot counting at an election shall be made in a public place within the venue of the meeting; the voting results, including the statistics of rights, shall be announced on the spot after the counting is complete, and taken into records.

Article 13 (Election)

Election of directors and supervisors, if any, at the Shareholders' meeting shall be held by the Company's regulations on relevant election and appointment; the election results, including the list of the directors- and supervisors-elect and the numbers of their gained voting rights, shall be announced on the spot.

The ballots cast in election referred to in the preceding paragraph shall be sealed in envelopes, signed by the checking persons, and preserved for at least one year, or, if a legal proceeding is filed under Article 189 of the Company Act, till such legal proceeding ends.

Article 14 (Meeting minutes and signatures)

The resolutions of the shareholders' meeting shall be recorded in the meeting minutes. Meeting minutes shall be signed or chopped by the chairman of the meeting and distributed to all shareholders within twenty days after the meeting. They may be prepared and distributed electronically.

The distribution referred to in the preceding paragraph may be performed by the Company by publishing on the website of open data.

The meeting minutes shall accurately record the place, day, month and year of the meeting; the name of the chairman; the voting method, outlines of discussion process and the results thereof, and shall be preserved permanently throughout the existence of the Company.

Article 15 (Public notices)

The Company shall prepare, in the specified format, the statistic tables of the number of shares obtained by solicitors and that of proxies, and show the tables clearly in the venue of the shareholders' meeting on the meeting day.

The Company shall upload to the website of open data, within the time specified, the contents of the resolutions of the shareholders' meeting, if any, that contain important messages prescribed by the laws and Taiwan Stock Exchange Corporation.

Article 16 (Meeting order)

The staff members holding the shareholders' meeting shall wear a badge or armband.

The chairman may conduct the security guard to assist in keeping order of the meeting place.

Where microphones are provided in the meeting place, the chairman may refrain any shareholder that speaks by using other devices from speaking.

Shareholders who violate the rules of the meeting and refuse to obey the chairman's correction, and still obstructs the session after having been inhibited, the chairman may order the security guards to remove them from the venue.

Article 17 (Intermission)

During the meeting, the chairman may, at his discretion, announce time for intermission.

In case of incident of force majeure, the chairman may decide to temporarily suspend the meeting and announce, depending on the situation, when the meeting will resume. If the venue will not be used again prior to the end of the prescheduled agenda (including special motions), the shareholders' meeting may resolve in another venue to resume the meeting.

The shareholders' meeting may resolve within five days to suspend or to resume the meeting according to Article 182 of the Company Act.

Article 18 These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

Appendix III Shareholding status of directors and supervisors

Shareholding Status of Directors and Supervisors

Date Drawn on: Apr. 18, 2018

Title	Name	Past Beginning Date	Term of Office	Shareholding at Date Elected		Shareholding at Book Closure Date	
				Shares	%	Shares	%
Chairman	LIN, Jui-Chang	Jun.19, 2017	3 years	1,624,978	0.86%	1,624,978	0.86%
Director	CHEN, Chien-Kun	Jun.19, 2017	3 years	675,132	0.36%	675,132	0.36%
Director	CHU, Jung-Ho (Representative of Fu Zhi Investment Co., Ltd.)	Jun.19, 2017	3 years	10,091,307	5.35%	1,091,307	5.35%
Director	Michael A.Hoer (Representative of Fu Zhi Investment Development Co., Ltd.)	Jun.19, 2017	3 years	10,091,307	5.35%	10,091,307	5.35%
Director	Hong Cheng Investment Co., Ltd.	Jun.19, 2017	3 years	5,721,451	3.04%	5,721,451	3.04%
Independent Director	CHANG, Ling-Ling	Jun.19, 2017	3 years	0	0%	0	0%
Independent Director	CHEN, Yung-Chun	Jun.19, 2017	3 years	0	0%	0	0%
Total				18,112,868	9.61%	18,112,868	9.61%
Supervisor	LIN, Wen-Hsing (Representative of Fu Yuan Investment Co., Ltd.)	Jun.19, 2017	3 years	2,697,185	1.43%	2,697,185	1.43%
Supervisor	HUANG, Fu-Ti (Representative of Fu Yuan Investment Co., Ltd.)	Jun.19, 2017	3 years	2,697,185	1.43%	2,697,185	1.43%
Supervisor	LIU, Ju-Shan (Representative of Fu Yuan Investment Co., Ltd.)	Jun. 19, 2017	3 years	2,697,185	1.43%	2,697,185	1.43%
Total				2,697,185	1.43%	2,697,185	1.43%
Note: Statutory minimum numbers of shares should be held by all directors: (7.5% of the issued shares, minimum 14,133,913 shares) Statutory minimum numbers of shares should be held by all supervisors: (0.75% of the issued shares, minimum 1,413,391 shares)							