

Fulgent Sun: 3Q20 Gross profit margin improved to a record 20.1%, showing growth for nine consecutive quarters.

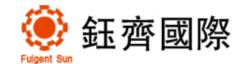
3Q20 EPS still reached NT\$1.05 after the deduction of employee stock ownership fees (\$0.26) and non-operating foreign-exchange losses (\$0.52).

For the first nine months of 2020, gross profit margin reached 21.3%, operating profit margin increased to 11.0%, while EPS was at \$4.06, suggesting steady improvements on managing efficiency.

## 2020/10/20, Douliu

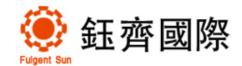
- 3Q20 consolidated sales declined 6.7% annually to NT\$3.22 billion. 3Q20 Gross profit margin increased 0.6 percentage points year-on-year to 20.1%, and outweighed 3Q18's 17.1%. 3Q20 Operating profit margin dropped 0.7 percentage points annually to 10.3%, but still exceeded 3Q18's 7.9%. The one-time employee stock ownership fees were at around \$45 million, which accounts for 1.4 percentage points of operating expense ratio, lowering EPS by \$0.26. If excluding this expenditure, 3Q20 operating profit margin would be a record 11.7%, 0.7 percentage points higher year-on-year. Since the US dollars remain the major currency for beneficiary use, the appreciation of Chinese Yuan and NT dollars has affected the group's financial performances. The rise of Chinese Yuan led to non-operating foreign-exchange losses of \$0.52 in terms of EPS. 3Q20 EPS was at \$1.05. Once ruling out the one-time employee stock ownership fees and non-operating foreign-exchange losses, 3Q20 EPS would be \$1.83, similar to 3Q19 EPS after excluding the non-operating foreign-exchange losses.
- In the first three quarters of 2020, accumulated consolidated sales were at NT\$8.37 billion, 10.8% lower year-on-year. On a positive note, however, improvements on profitability led to an operating profit of \$921 million, similar to a year earlier. Gross profit margin climbed 3.0 percentage points annually to 21.3%, while operating profit margin also rose 1.1 percentage points year-on-year to 11.0%. Both reached record highs this year, and were higher compared with 2018's gross profit margin of 17.2% and operating profit margin of 7.6%, an increase of 4.0 and 3.4 percentage points respectively. Thanks to the annual progress on management efficiency, net profit attributable to the parent company reached \$711 million, while EPS after tax was at \$4.06, while production, marketing and operating gradually recovered from the epidemic and resumed to growth. Looking back at financial performances in recent years, each quarter of 2019's gross profit margin and operating profit margin surpassed those in 2018.

Contributions from autumn and winter shoes, which start shipping from April to September, have increased annually in terms of net income. The product's gross profit margin increased from 2018's 16.3% to 2019's 17.8%, and further rose to this year's 20.0%. Operating profit margin also climbed from 2018's 7.1%, to 2019's 9.8%, and to 10.1% this year. Growth led by autumn and



winter shoes in low seasons in recent years also helps raising annual performances directly.

- Steadily expanding production capacity, diversifying production bases, and taking orders from various brands have always been the group's most important managing plans. In terms of allocation of production capacity, China accounted for 30.4% in the first three quarters of 2020, while Vietnam made up 48.4%, with the remaining 21.2% consisting of Cambodia. Production capacity outside of China was close to 70%, compared with 2019's 66% and 2018's 60%. As for market distribution, or destinations assigned by brand customers, Europe is still the most prominent market, making up 47% of consolidated sales in the first three quarters of 2020. Greater America region consolidated sales accounted for 37.9%, showing annual growth compared with 2019's 36% and 2018's 31%. Regarding brand clients, around 40 leading international brands have remained Fulgent Sun's steady partners. More new brand clients will join developing and production lines in 2021. As a result of taking orders from various brands, product portfolio was improved. Expansion in product capacity and diversifying markets also led to successful rewards.
- As taking orders in Taiwan and producing at factories abroad have been Fulgent Sun's production and marketing patterns, currency of beneficiary has mainly been the US dollars. The headquarter in Taiwan pays US dollars to factories abroad by agreement after shoes were made, therefore, all subsidiaries need to be reviewed according to standards of IFRS. The group's factories in China, which use the Chinese Yuan as functional currency, were reviewed on non-Chinese Yuan assets and liabilities. The US dollars were mainly used for accounts receivable while the headquarter in Taiwan paid. Therefore, when the US dollars depreciate, or the Chinese Yuan appreciate, foreign-exchange losses occur, such as 1Q18's -\$0.48, and 4Q19's -\$0.39 in terms of EPS. When US dollars rise, foreign-exchange gains appear, for example, 2Q18's \$0.64 and 3Q19's \$0.48. The group's factories in Vietnam use Vietnamese Dong as functional currency, and operate by processing imported materials, so not such much assets required reviews and were of less importance. Factories in Cambodia take the US dollars, so reviews were not necessary. To sum up, the up and down of the Chinese Yuan greatly affects the group's performance on foreign-exchange rates. The steep appreciation of the Chinese Yuan against the US dollars in 3Q20 resulted in foreign-exchange losses of \$0.52.
- 2020 has been an overly critical year for Fulgent Sun group. In 2019, the group's financial and non-financial indexes reached a new milestone. However, as COVID-19 broke out in early 2020, governments worldwide have been implementing lockdown measures. When flows of people, goods, and transportations stuck, production and marketing inevitably face all kinds of challenges and impacts. The managing group has been responding with practical, mobile and creative measures, such as flexible and frequent adjustments on production plans to fulfill orders, well-rounded integration of internal and external resources, carefully monitoring direct and



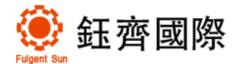
indirect financial flows, regulating various items of capital expenditure, and also other improvements on management. The group's decision to slow down when the epidemic broke out, and to increase the resumption rate during 3Q20 are versatile, practical solutions after careful consideration. The group sets its managing principles as sticking to principles and creating values, and is devoted to building momentum for the coming waves of growth.

• Among the evaluation of company management conducted by Taiwan Stock Exchange, Fulgent Sun has been a front-runner every year, and is among the top 20% company in terms of management efficiency in the most recent ranking. The managing group has been continuously focusing on improving the rights of shareholders, strengthening the functions of board of directors, fulfilling corporate social responsibility, raising the transparency of information and following related laws and principles. The company aims to achieve the managing concept of cultivating with persistence, and developing with wisdom. Fulgent Sun will keep on devoting to pursuing innovation and sustainable growth, improving management efficiency, fulfilling corporate social responsibilities, and most importantly, substantially rewarding every shareholder with earnings results.

# (Appendix) Fulgent Sun (9802) 3Q 2020 Unaudited Financial Results:

(In NTD '000; %)

	2020/Q3	2019/Q3	YoY	2020/Q1-Q3	2019/Q1-Q3	YoY
Consolidated Sales	3,217,219	3,449,635	-6.7	8,366,414	9,381,623	-10.8
Gross Profit	646,363	673,404	-4.0	1,779,925	1,713,716	3.9
Gross Profit Margin (%)	20.1%	19.5%		21.3%	18.3%	_
Operating Expenses	314,586	295,651	6.4	859,360	787,709	9.1
Operating Expense (%)	9.8%	8.6%		10.3%	8.4%	_
Operating Profit	331,777	377,753	-12.2	920,565	926,007	-0.6
Operating Profit Margin (%)	10.3%	11.0%		11.0%	9.9%	_
Non-operating Revenue & Expenses	-115,210	102,244	-212.7	-92,874	134,663	-169.0
Net Income	184,308	405,028	-54.5	709,338	905,459	-21.7
Net Income attributed to parent company	184,632	405,763	-54.5	710,698	907,777	-21.7
EPS	1.05	2.44	-57.0	4.06	5.65	-28.1
Exchange rate effect	-0.52	0.48	_	-0.44	0.55	_
Excluding exchange rate effect	1.57	1.96	-19.9	4.50	5.10	-11.8



#### **About Fulgent Sun**

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) was established in 1995, principally engaged in foundry production and distribution of sports shoes and outdoor shoes. There are more than 40 international well-known brand customers. Its headquarters is located at Douliu City, Yunlin County, Taiwan. There are six factories which spread throughout China, Vietnam, and Cambodia.

### **Forward Looking Statements**

Some of the statements contained in this press release may be considered forward-looking statements. These statements identify prospective information. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. These forward-looking statements are subject to a number of factors that may cause actual results to differ materially from the expectations described, which include but are not limited to economic, competitive, market, currency, governmental and financial factors. Fulgent Sun International (Holding) Co., Ltd. assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws.