Stock Code: 9802

Fulgent Sun International (Holding) Co., Ltd.

Annual Report 2018

Fujian Sunshine Footwear Co.,Ltd.

Fulgent Sun Footwear Co.,Ltd.

Sunny Footwear Co.,Ltd.

Hubei Sunsmile Footwear Co.,Ltd.

Lin Wen Chih Sunbow Enterprises Co.,Ltd.

NGOC HUNG Footwear Co.,Ltd

Capital Concord Enterprises Limited Taiwan Branch(Operation Location)

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw

Annual Report is available at:http://www.fulgentsun.com

Printed on May 2, 2019

I. Names, Titles and Contact Information of the Company's Spokesperson and Deputy Spokesperson

Spokesperson: Liao Chih Cheng
Title: Executive Vice President
Tel: (886)5-551-4619
E-mail: service@fulgentsun.com

Deputy Spokesperson: Fan Chen Hsiang
Title: Chief Financial Officer
Tel: (886)5-551-4619
E-mail: service@fulgentsun.com

II. Name, Title and Contact Information of Litigation and Non-litigation Agent in the Republic of China

Name: Liao Chih Cheng
Title: Executive Vice President
Tel: (886)5-551-4619
E-mail: service@fulgentsun.com

III. Addresses and Telephone Numbers of Head Office, Subsidiaries and Branches:

1. Head Office: Fulgent Sun International (Holding) Co., Ltd. Tel: (886)5-551-4619
   Address: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
2. Subsidiaries and Branches

Subsidiaries in Hong Kong

Capital Concord Enterprises Limited Tel: (886)5-551-4619
Address: 5F, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

Laya Outdoor Products Limited Tel: (886)5-551-4619
Address: 5F, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

Taiwan Branch of Subsidiary in Hong Kong

Capital Concord Enterprises Limited Taiwan Branch (H.K.) Tel: (886)5-551-4619
Address: No.76, Section 3, Yunke Road, Douliu City, Yunlin County, Taiwan

Subsidiaries in China

Fujian Sunshine Footwear Co., Ltd. Tel: (86)595-2206-1931
Address: Shuangyang Subdistrict, Luojiang District, Quanzhou City, Fujian Province, China

Sunny Footwear Co., Ltd. Tel: (86)597-681-9399
Address: Datong Industrial Park, Tengfei Economic Development Zone, Changting County, Longyan City, Fujian Province, China

Hubei Sunsmile Footwear Co., Ltd. Tel: (86)710-286-3991
Address: Shenzhen Avenue No.1, Shenzhen Industrial Park, Xiangyang City, Hubei Province, China

Fujian Laya Outdoor Products Co., Ltd. Tel: (86)595-2206-1931
Address: Shuangyang Overseas Chinese Farm (Yangshan Community), Luojiang District, Quanzhou City, Fujian Province, China

Fujian La Sportiva Co., Ltd. Tel: (86)595-2206-1931
Address: Shuangyang Overseas Chinese Farm (Yangshan Community), Luojiang District, Quanzhou City, Fujian Province, China

Subsidiaries in Vietnam

Fulgent Sun Footwear Co., Ltd. Tel: (84)321-397-2591
Address: Pho Noi Xa Nghia Heip Huyen Yen My Tinh Hung Yen-Vietnam

NGOC HUNG Footwear Co., Ltd. Tel: (84)321-378-9188
Address: Luong Dien Industrial Zone, Tongxi Village, Luong Dien Township, Cam Giang County, Hai Duong Province, Vietnam

Subsidiaries in Cambodia

Lin Wen Chih Sunbow Enterprises Co., Ltd. Tel: (885)23-4799199, 23-4799188
Address: 24.5km, National Highway 2, Kandal Province, Cambodia

Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Tel: (885)23-4799199, 23-4799188
Address: 24.5km, National Highway 2, Kandal Province, Cambodia

Lin Wen Chih Sunlit Enterprises Co., Ltd. Tel: (885)23-4799199, 23-4799188
Address: 24.5km, National Highway 2, Kandal Province, Cambodia

Subsidiary in Taiwan
Laya Max Trading Co., Ltd. Tel: (886)5-551-4619
Address: 2F, No.76, Section 3, Yunke Road, Douliu City, Yunlin County, Taiwan

IV. Contact Information of Stock Transfer Agency
Name: Transfer Agency Service, CTBC Bank Tel: (886)2-6636-5566
Address: 5F, No.83, Section 1, Chongqing South Road, Zhongzheng District, Taipei City
Website: https://www.ctbcbank.com

V. Contact Information of the Certified Public Accountants for the Latest Financial Report
CPA: Hung Shu-Hua and Wang Yu-Chuan
Accounting Firm: Pricewaterhouse Coopers (PwC) Taiwan Tel: (886)2-2729-6666
Address: 27F, No.333, Section 1, Keelung Road, Taipei City
Website: http://www.pwc.tw

VI. Name of Overseas Securities Exchange and Inquiry of Overseas Securities: N/A.

VII. Company Website: http://www.fulgentsun.com

VIII. Roster of Board of Directors

Title	Name	Nationality	**Education and Work Experience**
Chairman	Lin Wen Chih	ROC	Department of Chemical Engineering, Feng Chia University President, Fulgent Sun International (Holding) Co., Ltd. Chairman, Fulgent Sun International (Holding) Co., Ltd. CSO, Fulgent Sun International (Holding) Co., Ltd.
Director	Liao Fang Chu	ROC	Department of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd. President, Fulgent Sun International (Holding) Co., Ltd. CEO, Fulgent Sun International (Holding) Co., Ltd.
Director	Yu Man Sang	Hong Kong	Department of International Trade, Xiamen University Executive Vice President, Fulgent Sun International (Holding) Co., Ltd.
Director	Liao Chih Cheng	ROC	Master in Finance, National Yunlin University of Science and Technology Assistant Manager, First Bank Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. CGO, Fulgent Sun International (Holding) Co., Ltd.
Independent Director	Chang Kun Hsien	ROC	Supplementary Open Junior College For Public Administration, National Chengchi University Senior Associate Manager and Director, Taichung Region Center of First Commercial Bank
Independent Director	Kuo Shaw Long	ROC	Department of Transportation and Communication Management Science, National Cheng Kung University Master in International Business Management, American institute of international management Vice President of Underwriting, Polaris Securities Co., Ltd.
Independent Director	Hsu Ai Chi	ROC	Master in Economics, National Chengchi University PhD in Economics, Michigan State University Part-time Assistant Professor of Department of Economics, National Chi Nan University Associate Professor of Department of Finance, National Yunlin University of Science and Technology

Fulgent Sun International (Holding) Co., Ltd.

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I. Letter to Shareholders

Dear shareholders, I would like to report briefly on the operating performance and future outlook for 2018 as follows:

1. Implementation results of business plan

   The results of the implementation of the business plan show that the Company's annual business income in 2018 is NT$10,070,151,000, including outdoor shoes sales accounting for 90.4%, sports shoes sales accounting for 7.9% and other sales accounting for 1.7%. The production capacity allocation plan launched in mid-2018 has achieved significant results, with gross interest rate and operating profit rate reaching 18.0% and 8.3% respectively in the whole year of 2018, with operating expenses only 9.7%, which highlights the Company's sophisticated ability to control operating costs and expenses; business benefits reached NT$ 834,388,000, among which, NT$ 743,001,000 is attributable to the parent Company's net after-tax profit, the profit performance reached the second highest record, after-tax earnings per share (EPS) was NT$5.10, EPS has surpassed NT$5 for three consecutive years. Based on the performance of the above-mentioned figures in financial report, the results of the implementation of the business plan and the results of business operation has substantially shown growing performance.

2. Steady expansion of production capacity, continuous improvement of production performance, and exertion of intelligent production layout

   We will continue to focus on Vietnam and Cambodia in order to create more flexible order-taking advantages and capacity distribution in order to achieve substantial increase in volume and profit in 2019. The revenue ratios of China and non-China in 2018 are 40% and 60%, respectively. With the steady expansion of capacity in Vietnam and Cambodia, we will continue to achieve the goal of capacity expansion and improve the flexibility of production area allocation, China, Vietnam and Cambodia will each account for one third of the Group's output value as the medium-term planning goal. In addition to capacity expansion, we will continue to strengthen the distribution of intelligent production, it will actively increase research and development investment, and will also pragmatically promote various projects of industry-academy cooperation. We will also continue to grow and improve together with major brand customers, and optimize core capabilities of shoe-making technology, further build smart factories with adaptability, resource efficiency and ergonomics, so as to create more efficient, faster and adaptable intelligent production mode, and build the Group's multiple competitive advantages in the shoe-making sector.

3. Fulfilling corporate social responsibility and improving corporate governance

   Fulfilling corporate social responsibility and maintaining sustainable operation are the main business objectives of the Company. Through the public trust Fulgent Sun International Charitable Public Welfare Fund, the Company supports various public welfare charities and social education undertakings in order to achieve social harmony and prosperity. For the concern over environmental protection, we’ve directly reflected our effort on the construction of solar power generation equipment with improved and optimized processing. And our movement in taking care of welfare of the entire workers is unending. The Company is more convinced that "Performance is the vital; nevertheless, strengthening on corporate governance is more essential". The management team will stick to the core values of "honesty, speed, quality, innovation", uphold the spirit of "morality, wisdom, diligence, long-term cultivation", with "perseverance in deep cultivation, wisdom to thrive" as the spirit of management. Moreover, the Company's successive corporate governance appraisals on the Taiwan Stock Exchange have achieved excellent results, highlighting the continuous efforts and substantive concentration of the Company's management team in protection of shareholders' rights and interests, fair treatment of shareholders, consolidation of the structure and operation of the Board of Directors, improvement of information transparency, and practical execution of corporate social responsibility.

4. The future expectations

The Company has been listed since 2012, the revenue scale has increased significantly and the business situation has become more stable. In the past 3 years, net profit attributable to parent company after tax has reached NT$702 million, 803 million and 743 million respectively; with the spirit of sharing operating results with all shareholders and employees, the Company has maintained a high cash dividend policy over the past few years. Looking forward to the future, the management team will continue to endeavor the core business of shoe-making, concentrate on the substantive improvement of the production performance of each factory, and the concrete manifestation of the comprehensive management effect of each staff unit, uphold the belief of win-win and common prosperity, so that all employees can grow together with the Company, and will also expand all kinds of projects of industry-academy cooperation, continue to foster various talents, and move forward to intelligent production pipeline; furthermore, create value for all stakeholders, actively strive to improve corporate governance, strengthen information disclosure and compliance with regulations, focus on investor relations, fulfill corporate social responsibility, pursue sustainable innovation and growth, and repay all shareholders with the Company's operating results.

Thank you again for your support and encouragement, and I sincerely wish all shareholders health, joy and happiness!

Sincerely
Chairman: Lin Wen Chih

II. Company Profile

1. Date of Establishment: November 24, 2009

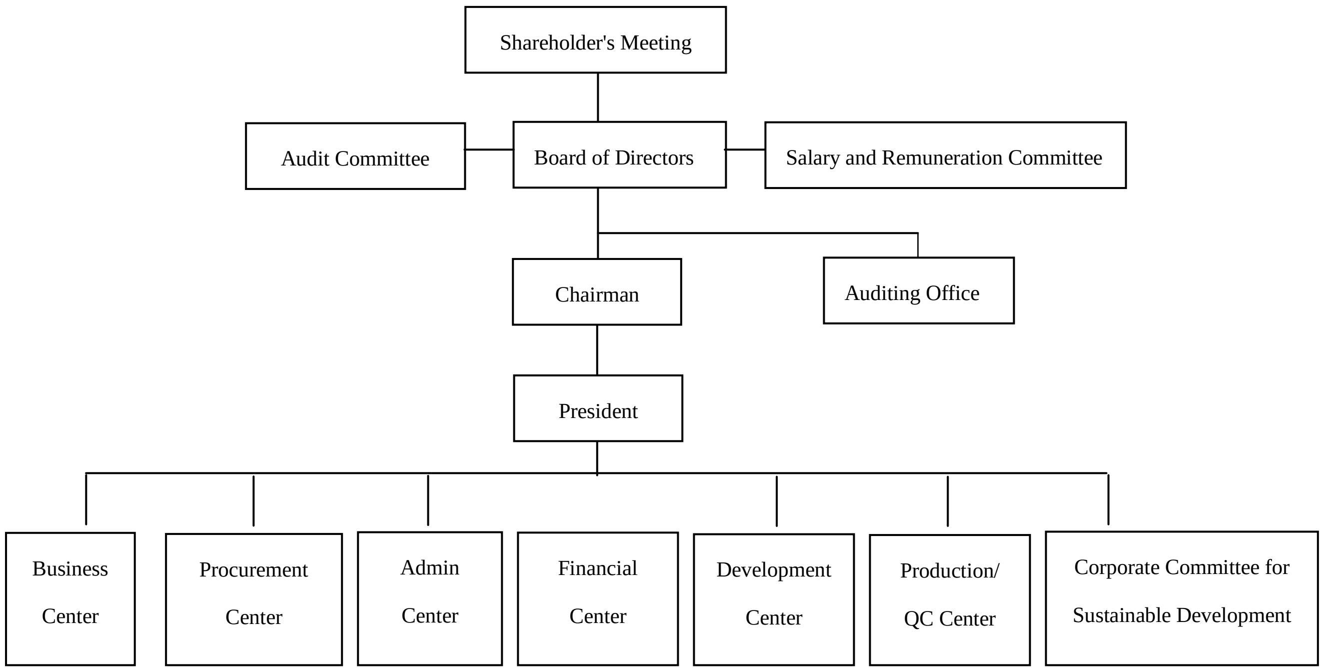
2. Company History

Year	Important Chronicle
1994	Capital Concord Enterprises Limited was established in December as a controlling company of shareholders' investment in China.
1995	In March, Fujian Sunshine Footwear Co., Ltd. was established to produce and export sports shoes and outdoor shoes as an OEM.
1996	In August, Quanzhou Sunrise Footwear Co.,Ltd. was established to produce and sell sports shoes and outdoor shoes as an OEM in China.
2000	With capacity for production of waterproof outdoor shoes, as certified by GORE-TEX.
2003	Fulgent Sun Footwear Co., Ltd. was established in January to produce outdoor shoes as an OEM. In August, Fujian Sunshine Footwear Co., Ltd. became a member of SATRA and its certified laboratory. In the same year, Fujian Sunshine Footwear Co., Ltd. passed the ISO9001 quality system certification and further received its certificate in January, 2004.
2005	In September, Sunny Footwear Co., Ltd. was established to produce sports shoes and outdoor shoes as an OEM.
2007	In June, Fujian Sunflower Footwear Co.,Ltd was established to laminate the vamps of sports shoes and outdoor shoes.
2009	In June, Hubei Sunsmile Footwear Co., Ltd. was established to produce sports shoes and outdoor shoes as an OEM. In October, Fujian Laya Outdoor Products Co., Ltd. was established to trade shoe materials within the Group and to plan the agency and distribution of sporting goods in China. In November, Fulgent Sun International (Holding) Co., Ltd. (the Company) was established in Cayman Islands to apply for listing in Taiwan and restructure. In the same year, the Company acquired Capital Concord Enterprises Limited, and Capital Concord Enterprises Limited acquired Fulgent Sun Footwear Co., Ltd. and established the Taiwan Branch to process imported materials.
2010	In April, Laya Max Trading Co., Ltd. was established to act as agent for sporting goods in Taiwan. In September, Laya Outdoor Products Limited was established in Hong Kong; in January 2011, Laya Outdoor Products Limited formed a strategic alliance with La Sportiva (Hong Kong) Limited to establish Fujian La Sportiva Co., Ltd., which acts as agent for outdoor shoes and clothes of La Sportiva to expand domestic market in China.
2011	In April, The head office was established in Yunlin County, Taiwan. The Group restructured. And in May, it merged Quanzhou Sunrise Footwear Co., Ltd. and Fujian Sunflower Footwear Co., Ltd. into Fujian Sunshine Footwear Co., Ltd.
2012	In June, Fulgent Sun International (Holding) Co.,Ltd. was approved by the review committee of the Listing Department of Taiwan Stock Exchange Corporation, and went to public in Taiwan Stock Exchange in October.
2013	In December, Lin Wen Chih Sunbow Enterprises Co., Ltd. was established in Cambodia to produce and sell sports shoes and outdoor shoes; Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. was established to produce and sell clothes; Lin Wen Chih Sunbow Enterprises Co., Ltd. invested in Lin Wen Chih Sunlit Enterprises Co., Ltd. to undertake land leases.
2015	In February, NGOC HUNG Footwear Co., Ltd. was established to produce sports shoes and outdoor shoes as an OEM. In June, Fulgent Sun International(Holding) Co., Ltd. was selected in “Taiwan Corporate Governance 100 Index”.
2016	In August, NGOC HUNG Footwear Co., Ltd. was certified by GORE-TEX for producing waterproof outdoor shoes.

III. Corporate Governance Report

1. Organization System

(1) Organization Chart



(2) Responsibilities and Functions of Major Departments

Department	Responsibility
Audit Committee	1. Stipulate or amend the Internal Control System (ICS). 2. Evaluate the effectiveness of the ICS. 3. Stipulate or amend the procedures for acquiring or disposing of assets, derivatives trading, lending funds to others, and making endorsements or guarantees to others. 4. Resolve issues associated with the interests of the directors. 5. Approve major transactions of assets or derivatives. 6. Review and approve major loans and endorsements or guarantees. 7. Offer, issue or privately place equity-based securities. 8. Appoint, dismiss, or remunerate CPAs. 9. Appoint or dismiss financial, accounting, or internal audit directors. 10. Audit annual financial statements and semiannual financial statements. 11. Other major matters stipulated by the Company or regulators.
Salary and Remuneration Committee	1. Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers. 2. Regularly review and stipulate the salaries and remunerations of directors and managerial officers.
Auditing Office	1. Establish, amend, and approve the ICS of the Company. 2. Implement the audits and independent assessment of the operation of the head office and branches. 3. Research, improve, and recommend matters associated with laws and regulations and auditing techniques.
Business Center	1. Plan business goals and strategies. 2. Provide marketing promotion plans. 3. Set business performance and areas. 4. Plan annual budgets. 5. Set and manage prices. 6. Development sales representatives. 7. Manage channel conflicts. 8. Integrate business resources.
Procurement Center	1. Develop, introduce, and manage suppliers. 2. Plan and implement external processing. 3. Plan and purchase raw materials and manage inventories.
Administration Center	1. Purchase stationery, consumable supplies, and expense-based assets. 2. Recruit, assess attendance, and pay salaries. 3. Organize employees' welfare and training. 4. Handle general affairs. 5. Plan computer workstations and hardware/software facilities.
Financial Center	1. Handle accounting (including general accounting and cost accounting) affairs 2. Handle taxes (including business taxes and profit-seeking enterprise income taxes). 3. Plan and lump annual budgets together. 4. Plan and implement financial management and financing. 5. Plan and implement stocks and shareholders' equity. 6. Convene Board’s meetings and shareholders' meetings and keep minutes.
Development Center	1. Plan and implement annual development plans. 2. Perfect the development system. 3. Calculate the cost of goods.

Department	Responsibility
	4. Plan and supervise the sample making system.
Production/ QC Center	1. Handle production and external processing. 2. Schedule and follow up production and external processing.
Corporate Committee for Sustainable Development	The Corporate Governance Team has been established under this committee, and it is responsible to coordinate the task forces dedicated to economic issues, environmental issues, social issues, and ethical management. 1. Economic Issues Subcommittee 1.1 Perfect the framework of corporate governance, improve information transparency, and implement CSR to create the long-term value for shareholders. 1.2 Build a supply chain that attaches great importance to environmental protection, social responsibilities, labor rights, safety, health, and sustainable development, and maintain a long-term relationship with suppliers. 2. Environment Issues Subcommittee 2.1 Implement energy management and recycling and improve the utilization of resources to reduce the negative impact of the product life cycle on the environment. 2.2 Improve energy efficiency through process innovation and reduce greenhouse gas emissions to minimize the impact on the environment, bringing a safe and health workplace to employees and contractors. 3. Society Issues Subcommittee 3.1 Maintain the basic rights of employees and strive to contribute to employees, stakeholders, and the society with good corporate citizenship. 3.2 Support or sponsor charitable activities and social education with Charitable Trust Fulgent Sun Group International Charity Fund to achieve the prosperity, welfare, and harmony in society. 4. Ethical Management Issues Subcommittee 4.1 Organize training courses on ethical corporate management and promote the awareness and regulations of ethical corporate management in the orientation and on the website. 4.2 Set up a grievance system and have designated persons take charge of the follow-ups.

2. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(1) Directors and Supervisors

1. Directors

As of April 14, 2019; Unit: Thousand Shares, %

Title	Nationality	Name	Gender	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Currently Held by Spouse and Minor		Shares Held in the Name of Others		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship		
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Chairman	ROC	Lin Wen Chih	Male	2016 6/15	3 years	2009 11/24	2,111	1.59	3,148	1.97	21,408 (Note 1)	13.39	22,182 (Note 1)	13.88	Department of Chemical Engineering, Feng Chia University President, Fulgent Sun International (Holding) Co., Ltd.	Chairman, Capital Concord Enterprises Limited Chairman, Fujian Sunshine Footwear Co., Ltd. Chairman, Sunny Footwear Co., Ltd. Chairman, Hubei Sunsmile Footwear Co., Ltd. Chairman, Fulgent Sun Footwear Co., Ltd. Chairman, Fujian Laya Outdoor Products Co., Ltd. Chairman, Laya Max Trading Co., Ltd. Chairman, Laya Outdoor Products Limited Chairman, Fujian La Sportiva Co., Ltd. Chairman, Lin Wen Chih Sunbow Enterprises Co., Ltd. Chairman, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Chairman, Lin Wen Chih Sunlit Enterprises Co., Ltd. Chairman, NGOC HUNG Footwear Co., Ltd. CSO, Fulgent Sun International (Holding) Co., Ltd.	President Executive Vice President of Cambodia	Liao Fang Chu Lin Wen Kuang	Spouse 2nd-degree relatives
Director	ROC	Liao Fang Chu	Female	2016 6/15	3 years	2013 6/21	1,205	0.91	1,648	1.03	25,330 (Note2)	15.85	19,760 (Note2)	12.36	Department of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd.	Director, Capital Concord Enterprises Limited Director, Fujian Sunshine Footwear Co., Ltd. Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Director, Fujian Laya Outdoor Products Co., Ltd. Director, Laya Max Trading Co., Ltd. Director, Fujian La Sportiva Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. President, Fulgent Sun International (Holding) Co., Ltd. CEO, Fulgent Sun International (Holding) Co., Ltd.	Chairman Executive Vice President of Cambodia	Lin Wen Chih Lin Wen Kuang	Spouse 2nd-degree relatives
Director	Hong Kong	Yu Man Sang	Male	2016 6/15	3 years	2009 11/24	4,328 (Note3)	3.26	4,562	2.85	-	-	-	-	Department of International Trade, Xiamen University Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. Executive Vice President, Fujian Sunshine Footwear Co., Ltd.	None	-	-	-
Director	ROC	Liao Chih Cheng	Male	2016 6/15	3 years	2016 6/15	74	0.06	265	0.17	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Assistant Manager, First Bank	Director, Capital Concord Enterprises Limited Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Supervisor, Fulgent Sun Footwear Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Supervisor, NGOC HUNG Footwear Co., Ltd. Group spokesman, Fulgent Sun International (Holding) Co., Ltd. Executive Vice President of Taiwan Headquarters, Fulgent Sun International (Holding) Co., Ltd. Group Finance Director, Fulgent Sun Inter national (Holding) Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Currently Held by Spouse and Minor		Shares Held in the Name of Others		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship		
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
																Group company governor, Fulgent Sun International (Holding) Co., Ltd.			
Independent director	ROC	Chang Kun Hsien	Male	2016 6/15	3 years	2016 6/15	-	-	-	-	-	-	-	-	Supplementary Open Junior College For Public Administration, National Chengchi University Senior Associate Manager and Director, Taichung Region Center of First Commercial Bank	None	-	-	-
Independent director	ROC	Kuo Shaw Long	Male	2016 6/15	3 years	2012 4/15	-	-	-	-	-	-	-	-	Master in International Business Management, American institute of international management Department of Transportation and Communication Management Science, National Cheng Kung University Vice President of Underwriting, Polaris Securities Co., Ltd. Deputy Secretary-General, Taipei Private Equity Association Deputy Secretary-General, Taiwan Venture Capital Association	Supervisor, Silkroad Taiwan Inc. Executive assistant to Chairman, Yummy Town Co., Ltd.	-	-	-
Independent director	ROC	Hsu Ai Chi	Male	2016 6/15	3 years	2016 6/15	-	-	-	-	-	-	-	-	PhD in Economics, Michigan State University Master in Economics, National Chengchi University Part-time Assistant Professor of Department of Economics, National Chi Nan University Chairman of Department of Finance,National Yunlin University of Science and Technology	None	-	-	-

Note 1: Shares are held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse Liao Fang Chu include those held by the spouse and those held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.
Note 2: Shares are held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse Lin Wen Chih include those held by the spouse and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.
Note 3: Shares are held directly through the custodial account of Yu Man Sang used by CTBC Bank.

B. Supervisors: as the Company has set the Audit Committee, there is no supervisor.

C. Principal shareholder of corporate shareholder: the directors and independent directors of the Company are not representatives of corporate shareholder, therefore it doesn't apply.

D. Whether the director or supervisor has more than 5 years of work experience in business, legal, financial or corporate business, and is in compliance with the following Criteria:

Criteria / Name	Do the directors have 5 or more years of work experience and the following professional qualifications?			Compliance with independence (Note 1)										Number of independent directors of other public offering companies
	Instructor or Above in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Lin Wen Chih	-	-	✓	-	-	-	-	-	-	✓	-	✓	✓	-
Director Liao Fang Chu	-	-	✓	-	-	-	-	-	-	✓	-	✓	✓	-
Director Yu Man Sang	-	-	✓	✓	-	-	-	✓	-	✓	✓	✓	✓	-
Director Liao Chih Cheng	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director Chang Kun Hsien	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director Kuo Shaw Long	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director Hsu Ai Chi	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1: For any director or supervisor who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the "✓" sign in the corresponding field.

(1) Not employed by the Company or an affiliated company.

(2) Not a director or supervisor of any of the Company's affiliated companies (this restriction does not apply to independent directors of the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country).

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding greater than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company, provided that this restriction does not apply to the members of Salary and Remuneration Committee performing their official powers under Article 7 of the Regulations Governing the Appointment and Exercise of Powers by Salary and Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse or a relative within the second degree of kinship with any director.

(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(2) President, Vice Presidents, Associate Managers, and Heads of Departments and Branches

As of April 14, 2019; Unit: Thousand Shares, %

Title	Nationality	Name	Gender	Date Elected	Shares Held When Elected		Shares Currently Held		Currently Held by Spouse and Minor		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship		
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Group President	ROC	Liao Fang Chu	female	2010 12/29	1,648	1.03	25,330 (Note1)	15.85	19,760 (Note1)	12.36	Department of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd.	Director, Capital Concord Enterprises Limited Director, Fujian Sunshine Footwear Co., Ltd. Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Director, Fujian Laya Outdoor Products Co., Ltd. Director, Laya Max Trading Co., Ltd. Director & President, Fujian La Sportiva Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Group CEO, Fulgent Sun International (Holding) Co., Ltd.	Chairman Executive vice president, Cambodian	Lin Wen Chih Lin Wen Kuang	Spouse 2nd-degree relative
Taiwan HQ Executive Vice President	ROC	Liao Chih Cheng	male	2011 5/16	265	0.17	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Assistant Manager, First Bank	Director, Capital Concord Enterprises Limited Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Supervisor Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. NGOC HUNG Footwear Co., Ltd. Supervisor Group spokesman, Fulgent Sun International (Holding) Co., Ltd. Group Finance Supervisor, Fulgent Sun International (Holding) Co., Ltd. Group CGO, Fulgent Sun International (Holding) Co., Ltd.	-	-	-
Group CFO	ROC	Fan Chen Hsiang	male	2011 6/1	308	0.19	-	-	-	-	Department of Accounting, Feng Chia University Accounting Manager, Soaring Technology Co., Ltd.	None	-	-	-
Group audit associate manager	ROC	Chou Yu Fan	female	2011 5/16	28	0.02	-	-	-	-	Department of Accounting, Chaoyang University of Technology Audit Manager, Zongtai Real Estate Development Co., Ltd.	None	-	-	-

Title	Nationality	Name	Gender	Date Elected	Shares Held When Elected		Shares Currently Held		Currently Held by Spouse and Minor		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship		
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship
Vice President of Procurement	ROC	Lin Feng Yun (Note2)	female	2016 10/3	56	0.04	-	-	-	-	Ming Chuan Girls' Commercial College	Supervisor, Fujian Sunshine Footwear Co., Ltd. Director, Sunny Footwear Co., Ltd. Supervisor, Fujian Laya Outdoor Products Co., Ltd. Supervisor, Fujian La Sportiva Co., Ltd.	-	-	-
Vice President of Sales	ROC	Chen Ming Hsien	male	2015 8/1	68	0.04	-	-	-	-	Master of Engineering Design and its Management of University of Huddersfield Manager, Pou Chen Corporation	Supervisor, Sunny Footwear Co., Ltd. Supervisor, Hubei Sunsmile Footwear Co., Ltd.	-	-	-
Vice President of Production, China	China	Huang Xu Ming	male	2013 9/1	92 (Note3)	0.06	-	-	-	-	Qingliu No.2 High School in Sanming City, Fujian Province	None	-	-	-
Executive Vice president, Vietnam	ROC	Chuang Tien Ko (Note4)	male	2009 11/24	123	0.08	-	-	3,385 (Note5)	2.12	Department of Food Processing, National Silou Agricultural Industrial High School Factory Director, Fujian San Feng Footwear Co., Ltd	Director, Fujian Sunshine Footwear Co., Ltd. Supervisor, Sunny Footwear Co., Ltd. Supervisor, Hubei Sunsmile Footwear Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd.	-	-	-
Vice President of production, Cambodia	ROC	Chen Shih Chin (Note6)	male	2015 8/3	20	0.01	-	-	-	-	Department of Industrial Engineering and Management, National Taipei University of Technology Associate Manager, Xieda Footwear Company Limited	None	-	-	-
Executive vice president, Cambodian	ROC	Lin Wen Kuang	male	2018 /12/12	281	0.18	-	-	-	-	Master of Arts, Institute of Labor Relations, National Zhongzheng University	None	Chairman President	Lin Wen Chih Liao Fang Chu	2nd-degree relative 2nd-degree relative

Note 1: Shares are held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse Lin Wen Chih include those held by the spouse and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.
Note 2: Vice-president of procurement Lin Feng Yun has applied for retirement on April 1, 2019.
Note 3: Shares are held directly through the custodial account of Huang Xu Ming used by CTBC Bank.
Note 4: Chuang Tien Ko, Executive Vice President, Fulgent Sun Footwear Co., Ltd., has applied for retirement on March 1, 2018.
Note 5: Shares are held indirectly through the custodial account (ASG INT'L CO., LTD.) used by CTBC Bank.
Note 6: Chen Shih Chin, Vice President of production, Cambodia, resigned on March 1, 2019.

3. Compensation of Directors, Supervisors, President and Vice Presidents in the Recent Year

(1) Remuneration paid to Directors (Including Independent directors)

Unit: NT$1,000, %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Directors' Remuneration</th><th rowspan="2" colspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th colspan="8">Remunerations Paid to Concurrent Employees</th><th rowspan="2" colspan="2">Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income (%)</th><th rowspan="4">Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th colspan="2">Base Remuneration (A)</th><th colspan="2">Severance Pay (B) (Note1)</th><th colspan="2">Directors' Remuneration (C) (Note2)</th><th colspan="2">Business Execution Expenses (D)</th><th colspan="2">Salary, Bonus and Allowances (E)</th><th colspan="2">Severance Pay (F) (Note 1)</th><th colspan="4">Employees' Remuneration (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th colspan="2">The Company</th><th colspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th></tr>
<tr><th></th><th></th><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>Chairman</td><td>Lin Wen Chih</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">10,000</td><td rowspan="7">-</td><td rowspan="7">108</td><td rowspan="7">-</td><td rowspan="7">1.36</td><td rowspan="7">-</td><td rowspan="7">30,989</td><td rowspan="7">-</td><td rowspan="7">215</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">2,000</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">5.83</td><td rowspan="7">-</td></tr>
<tr><td>Director</td><td>Liao Fang Chu</td></tr>
<tr><td>Director</td><td>Yu Man Sang</td></tr>
<tr><td>Director</td><td>Liao Chih Cheng</td></tr>
<tr><td>Independent Director</td><td>Chang Kun Hsien</td></tr>
<tr><td>Independent Director</td><td>Kuo Shaw Long</td></tr>
<tr><td>Independent Director</td><td>Hsu Ai Chi</td></tr>
</table>

Range of Remunerations

Range of Remunerations Paid to Directors	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements
Less than NT$2,000,000	-	Yu Man Sang、Liao Chih Cheng、Hsu Ai Chi、Chang Kun Hsien、Kuo Shaw Long	-	Yu Man Sang、Hsu Ai Chi、Chang Kun Hsien、Kuo Shaw Long
NT$ 2,000,000 ~ NT$ 5,000,000 (excluded)	-	Lin Wen Chih、Liao Fang Chu-	-	-
NT$ 5,000,000 ~ NT$ 10,000,000 (excluded)	-	-	-	Liao Chih Cheng
NT$ 10,000,000 ~ NT$ 15,000,000 (excluded)	-	-	-	Lin Wen Chih、Liao Fang Chu
NT$ 15,000,000 ~ NT$ 30,000,000 (excluded)	-	-	-	-
NT$ 30,000,000 ~ NT$ 50,000,000 (excluded)	-	-	-	-
NT$ 50,000,000 ~ NT$ 100,000,000 (excluded)	-	-	-	-
More than NT$ 100,000,000	-	-	-	-
Total	-	7	-	7

Note 1: The severance pay is from the appropriated pension.

Note 2: The directors' remuneration has been approved by the Board of Directors and is to be resolved by the shareholders' meeting.

Note 3: The remuneration disclosed in this table is based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

(2) Remuneration paid to Supervisors: as the Company has set the Audit Committee, there is no supervisor.

(3) Compensations to the President and Vice Presidents

Unit: NT$1,000, %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B) (Note1)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Employees' Remuneration (D) (Note2)</th><th colspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th rowspan="3">Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th><th colspan="2">The Company</th><th colspan="2">All Companies Listed in Financial Statements</th><th rowspan="2">The Company</th><th rowspan="2">All Companies Listed in Financial Statements</th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>Group President</td><td>Liao Fang Chu</td><td rowspan="9">-</td><td rowspan="9">16,853</td><td rowspan="9">-</td><td rowspan="9">578</td><td rowspan="9">-</td><td rowspan="9">20,170</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">3,600</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">5.55</td><td rowspan="9">-</td></tr>
<tr><td>Taiwan HQ Executive Vice President</td><td>Liao Chih Cheng</td></tr>
<tr><td>Vice President of Procurement</td><td>Lin Feng Yun (Note4)</td></tr>
<tr><td>Vice President of Production, China</td><td>Huang Xu Ming</td></tr>
<tr><td>Vice President of Sales</td><td>Chen Ming Hsien</td></tr>
<tr><td>Vice President of production, Cambodia</td><td>Chen Shih Chin (Note5)</td></tr>
<tr><td>Executive vice president, Cambodian</td><td>Lin Wen Kuang</td></tr>
<tr><td>Executive Vice president, Vietnam</td><td>Chuang Tien Ko (Note6)</td></tr>
<tr><td>Group CFO</td><td>Fan Chen Hsiang</td></tr>
</table>

Range of Remunerations

Range of Remunerations Paid to Presidents and Vice Presidents	Name of President & Vice President	
	The Company	All Companies Listed in Financial Statements
Least than NT$2,000,000	-	Chuang Tien Ko、Lin Wen Kuang
NT$2,000,000 ~ NT$5,000,000 (excluded)	-	Lin Feng Yun、Chen Shih Chin、Fan Chen Hsiang
NT$5,000,000 ~ NT$10,000,000 (excluded)	-	Liao Chih Cheng、Chen Ming Hsien、Huang Xu Ming
NT$10,000,000 ~ NT$15,000,000 (excluded)	-	Liao Fang Chu
NT$15,000,000 ~ NT$30,000,000 (excluded)	-	-
NT$30,000,000 ~ NT$50,000,000 (excluded)	-	-
NT$50,000,000 ~ NT$100,000,000 (excluded)	-	-
More than NT$100,000,000	-	-
Total	-	9

Note 1: There was no actual payment of retirement pension in the year, which was allocation for retirement pension.
Note 2: It has been approved by the Board of Directors and is to be resolved by the shareholders' meeting.
Note 3: The remuneration disclosed in this table is based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.
Note 4: Lin Feng Yun, Vice-president of procurement, has applied for retirement on April 1, 2019.
Note 5: Chen Shih Chin, Vice President of production Cambodia, resigned on March 1, 2019.
Note 6: Chuang Tien Ko, Executive Vice President, Fulgent Sun Footwear Co., Ltd., has applied for retirement on March 1, 2018.

(4) Name and distribution of managers who distribute employee bonuses

Unit: NT$ 1,000; %

Item	Title	Name	Stock Amount	Cash Amount	Total Amount	Ratio of Total Amount to Net Income (%)
Manager	Group President	Liao Fang Chu	-	3,600	3,600	0.48
	Vice President	Lin Feng Yun				
	Vice President	Liao Chih Cheng				
	Vice President	Chen Ming Hsien				
	Group CFO	Fan Chen Hsiang				

(5) Analysis of ratio of total remunerations paid to directors, supervisors, the president and vice presidents by the Company and all companies listed in the consolidated financial statements to net income in the most recent two years; policies, standards, and portfolios of remunerations; procedures for determining remunerations; and correlation between business performance and future risks

1. Analysis of Ratio of Total Remunerations Paid to Directors, Supervisors, the President and Vice Presidents by the Company and All Companies Listed in the Consolidated Financial Statements to Net Income in the Most Recent Two Years

Unit: NT$ 1,000, %

Title	2017				2018			
	Total Remuneration		Ratio of Net Income (%)		Total Remuneration		Ratio of Net Income (%)	
	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements
Director	-	33,877	-	4.22	-	43,312	-	5.83
President & Vice President	-	42,009	-	5.23	-	41,201	-	5.55

2. Policies, standards, and portfolios of remunerations; procedures for determining remunerations; and correlation between business performance and future risks

According to Article 32 of the Company's Articles of Incorporation, directors' remunerations shall be determined by the Board of Directors based on the standards of other businesses in the same industry and shall be paid regardless of the Company’s profits or losses. The Company has established Salary and Remuneration Committee, which is composed of all independent directors, to stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers, and to regularly review and stipulate the salaries and remunerations of directors and managerial officers based on the standards of other businesses in the same industry.

The remunerations paid to the president and vice presidents include salaries, incentive pay and employees' bonuses, and shall be determined based on their positions, responsibilities, and contribution to the Company as well as the standards of other businesses in the same industry.

According to the Articles of Incorporation of the Company and the operation of the Board of Directors and Salary and Remuneration Committee, the Company timely reviews the directors' and executives' participation in and contribution to the Company's operation for their remunerations, and minimizes the possibility of and correlation between business performance and future risks, so as to balance the Company's sustainable development and risk control.

4. Implementation of Corporate Governance

I.The Board‘s Operation

A total of six meetings of the Board of Directors were held in 2018. The attendance of directors and independent directors is as follows:

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Note
Chairman	Lin Wen Chih	5	1	100	-
Director	Liao Fang Chu	6	0	100	-
Director	Yu Man Sang	6	0	100	-
Director	Liao Chih Cheng	5	0	83	-
Independent director	Kuo Shaw Long	6	0	100	-
Independent director	Chang Kun Hsien	6	0	100	-
Independent director	Hsu Ai Chi	6	0	100	-

Other matters to be recorded:

1. Should any of the following takes place in a Board’s meeting, the date, session, and proposals of the Board’s meeting, opinions of all independent directors, and the Company's response to such opinions shall be specified: The Company had no resolution that was objected and reserved by the independent directors.

   A. Items listed in Article 14-3 of the Securities and Exchange Act.

   B. Other than the matters mentioned above, other resolutions that are objected and reserved by the independent directors, recorded or stated in writing.

2. When a director refuses from proposals involving the conflict of interest, the director’s name, the content of proposal, cause for the conflict of interest, and the voting shall be specified: The Company had no director who refused from proposals involving the conflict of interest.

3. The goals of strengthening the functionality of the Board of Directors in the current and the preceding years(such as establishing the Audit Committee and increasing information transparency), and the evaluation of their execution:

   A. Performance and assessment of Board’s meetings: The Company has established the rules of procedures for Board’s meetings. Board’s meetings were convened in accordance with the rules and existing laws and regulations, and the attendance of directors and independent directors was good.

   B. Directors' advanced studies: To encourage directors' advanced studies, the Company arranges lecturers to teach and interact with rectors on-site every year. For directors' advanced studies in 2018, please refer to III. 4. (III) State of Corporate Governance, Gaps in Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Gaps.

   C. Improvement in information transparency: The Company attaches great importance to the rights and interests of investors and stakeholders. After

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Note
each Board meeting is convened, the Company will publish important resolutions of the Board of Directors immediately. The Company also participates in road shows from time to time. D. Directors' liability insurance: To protect directors and managerial officers from risks when performing their duties, the Company purchases “Liability Insurance for Directors and Managers” each year.					

II. the composition, responsibilities and operation of the board of Auditors

1. Composition of audit committee

The committee is composed of all Independent directors, with no fewer than three persons, one of whom is Convenor, and at least one person should have accounting or financial expertise.

The term of the Independent director of this committee is three years, and it may be re elected; if it is dismissed for any reason, it should be elected by the recent shareholders' meeting.

2. Responsibilities of audit committee

The main purpose of this committee's operation is to monitor the following matters:

a. The expression of the company's financial statements.

b. Endorsement of Accountants' choice, independence and performance.

c, effective implementation of internal control.

d, the company follows relevant laws and regulations.

e. Control of company's existing or potential risks.

3. information on the operation of the board of Auditors

(1) the audit committee of the company has three members.

The Board of Auditors meets 5 times in 2018 and Independent director attends as follows:

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Note
Independent director	Chang Kun Hsien	5	0	100	-
Independent director	Kuo Shaw Long	5	0	100	-
Independent director	Hsu Ai Chi	5	0	100	-

Other matters to be recorded:

1. Should any of the following takes place in a meeting of the Audit Committee, the date and session of the meeting, the proposal, the Audit Committee's resolution and the Company's response to such a resolution shall be specified: None.

(1) Items listed in Article 14-5 of the Securities and Exchange Act

(2) Other than the matters mentioned above, other resolutions passed by two-thirds of all directors but yet to be approved by the Audit Committee.

2. When an independent director refuses himself/herself from proposals involving the conflict of interest, the independent director’ s name, the proposal, cause for the conflict of interest, and the voting shall be specified: The Company had no director who refuses himself/herself from proposals involving the conflict of interest.

3. Communication between the independent director and the internal audit manager and CPAs (including material matters, methods, and results associated with corporate finance and business):

(1) The Company's audit manager communicates with the Audit Committee about the results of audits on a regular basis and attends meetings of the Audit Committee without a vote. In 2018, independent directors raised no objection against report items and had good communication with the Company's audit manager.

(2) Independent directors review the Company's financial statements on a regular basis. The CPAs also attend the annual meeting of the Audit Committee without votes to explain the results of audits. In 2018, independent directors had good communication with the CPAs.

(2) The operation of the board of auditors during the year:

<table>
<tr><th>Meeting of the Boards</th><th>Content of Bill and Follow-up Processing</th><th>Matters listed in Securities and Exchange Law No. 14-5</th><th>Negotiations without the approval of the Audit Committee and with the consent of more than two-thirds of all the directors</th></tr>
<tr><td rowspan="6">2018.3.8
The 11th time of the fourth session</td><td>1. Statement of Internal Control System in 2017</td><td>✓</td><td></td></tr>
<tr><td>2. Consolidated Financial Statements of the Company in 2017</td><td>✓</td><td></td></tr>
<tr><td>3. The Company's Annotated Accountant's Independent Evaluation in 2018</td><td>✓</td><td></td></tr>
<tr><td>4. Amendment of the “Level of Authority”</td><td>✓</td><td></td></tr>
<tr><td>5. Setting up the “No. 16 of the International Financial Reporting Standards(IFRS 16): Leases introduction plan”</td><td>✓</td><td></td></tr>
<tr><td colspan="3">Resolution of the Board of Auditors (on 8 March 2018): All members of the Board agreed to adopt it.
The Company's treatment of the audit committee's opinions: all the directors present agree to pass.</td></tr>
<tr><td rowspan="3">2018.5.9
The 12 th time of the fourth session</td><td>1. The Company's consolidated financial statements for the first quarter of 2018</td><td>✓</td><td></td></tr>
<tr><td>2. Revision of the written system of internal control - “Preparation and management of financial statements”</td><td>✓</td><td></td></tr>
<tr><td colspan="3">Resolution of the Board of Auditors (on 9 May 2018): All members of the Board agreed to adopt it.
The company's treatment of the audit committee's opinions: all the directors present agree to pass.</td></tr>
<tr><td rowspan="3">2018.8.6
The 14th time of the fourth session</td><td>1. The Company's consolidated financial statements for the second quarter of 2018</td><td>✓</td><td></td></tr>
<tr><td>2. The Company intends to handle the case of cash capital increase, new shares issuance and the fourth domestic unsecured convertible corporate bonds issuance in 2018.</td><td>✓</td><td></td></tr>
<tr><td colspan="3">Resolution of the Board of Auditors (on 6 August 2018): All members of the Board agreed to adopt it.
The Company's treatment of the audit committee's opinions: all the directors present agree to pass.</td></tr>
<tr><td rowspan="4">2018.11.8
The 15th time of the fourth session</td><td>1. The Company's consolidated financial statements for the third quarter of 2018</td><td>✓</td><td></td></tr>
<tr><td>2. Our Company intends to increase the investment subsidiary "Capital Concord Enterprises Limited".</td><td>✓</td><td></td></tr>
<tr><td>3. Revise the written internal control system of the Company and its subsidiaries - "Liability Commitment and Contingency Management Operation" and the written internal control system of its subsidiaries - "Real Estate, Plant and Equipment Cycle".</td><td>✓</td><td></td></tr>
<tr><td colspan="3">Resolution of the Board of Auditors (on 8 November 2018): All members of the Board agreed to adopt it.
The Company's treatment of the audit committee's opinions: all the directors present agree to pass.</td></tr>
<tr><td rowspan="3">2018.12.26
The 16th time of the fourth session</td><td>1. Drawing up the audit plan of 2019</td><td>✓</td><td></td></tr>
<tr><td>2. Revision of the written system of internal control – “Regulations Governing the Acquisition and Disposal of Assets”</td><td>✓</td><td></td></tr>
<tr><td colspan="3">Resolution of the Board of Auditors (on 26 December 2018): All members of the Board of Auditors agreed to adopt it.
The Company's treatment of the audit committee's opinions: all the directors present agree to pass. ◦</td></tr>
</table>

III. State of Corporate Governance, Gaps in Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons for the Said Gaps

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established the "Corporate Governance Best-Practice Principles" and disclosed these principles on the company website. Each operation has complied with these principles. As of the printing date of this annual report, there is no major discrepancy.	No major discrepancies
2. Shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has established the "Procedures for Handling Material Inside Information" and set up a spokesperson, a deputy spokesperson, a person in charge of stocks, and an e-mail address for handling shareholders' proposals and inquiries.	No major discrepancies
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company has set up a person in charge of stocks with the help of Transfer Agency Service of CTBC Bank to control the list of major shareholders.	No major discrepancies
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has established the "Procedures for Trading with Group Companies, Specific Companies", and "Related Parties and the Regulations Governing Supervision and Management of Subsidiaries", which stipulate the operation, business, and financial dealings associated with affiliated companies, to control related risks.	No major discrepancies
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established related written regulations to maintain the fairness of securities trading. The Company has also established the "Procedures for Handling Material Inside Information" and promotes the awareness to insiders from time to time.	No major discrepancies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The Company has established a diversity policy on the formation of the Board members in the "Corporate Governance Best-Practice Principles", in which all members are equipped with necessary knowledge, skills, and moral fiber to carry out their responsibilities. Ⓐ. On November 7, 2014, at the 9th meeting of the 3rd session of the Board of Directors, the Company adopted the "Code of Practice on Corporate Governance" and developed a diversified approach in Chapter IV, "Strengthening the functions of the Board". The nomination and selection of the members of the Board of Directors of the Company shall, in accordance with the provisions of the Articles of Incorporation, adopt a system of nomination of candidates, in addition to assessing the qualifications of the candidates for their studies and taking into account the views of interested parties, to comply with "Election Method of Directors and Supervisors" and "Corporate Governance Code "in order to ensure diversity and independence of the directors. Ⓑ. The Company re-elected the 4th Board of Directors and set up 7 directors in June 2016. One of the board members was female. In addition to the female members, Lin Wen Chih, Liao Fang Chu, Yu Man Sang and Liao Chih Cheng are experienced in management and decision-making; Lin Wen Chih, Liao Fang Chu, Yu Man Sang, Liao Chih Cheng, Chang Kun Hsien and Hsu Ai Chi are experienced in finance & accounting; Chang Kun Hsien, Liao Chih Cheng and Kuo Shaw Long are experienced in banking and securities affairs. © . The ratio of directors of the Company as the employees is 43%,	No major discrepancies

<table>
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<tr><th>Yes</th><th>No</th><th>Description of Abstract</th></tr>
<tr><td></td><td></td><td></td><td>the ratio of independent director is 43%, the ratio of female directors is 14%; and 2 independent directors have a service duration less than 3 years, 1 director independent has a service duration for 6 to 9 years; 5 directors are 60 to 69 years old, 2 directors are below 60. The Company values the importance to gender equality and sets the target of ratio for independent director to be above 50%; it is expected that 2 more independent directors will be added at the 5th Board of Directors.
Ⓓ. The Board of Directors sets out the diversification policy for the composition of its members, and exposes it on the Company’s website.
Ⓔ. The diversification of Board’s members:
<table>
<tr><th rowspan="2">Multi-core items / Name of Director</th><th colspan="4">Industry Experience</th><th colspan="4">Expertise</th></tr>
<tr><th>Bank</th><th>Securities</th><th>Trade</th><th>Management</th><th>Finance Accounting</th><th>Management</th><th>Industry knowhow</th><th>Decision-making ability</th></tr>
<tr><td>Lin Wen Chih</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Liao Fang Chu</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Yu Man Sang</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Liao Chih Cheng</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Chang Kun Hsien</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td><td>V</td></tr>
<tr><td>Kuo Shaw Long</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td><td></td><td>V</td></tr>
<tr><td>Hsu Ai Chi</td><td></td><td></td><td></td><td></td><td>V</td><td></td><td></td><td>V</td></tr>
</table></td><td></td></tr>
<tr><td>(2) Does the Company voluntarily establish other functional committees in addition to Salary and Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>(2) In addition to setting up the Salary and Remuneration Committee and the Audit Committee, the Company also has a Corporate Committee for Sustainable Development.</td><td>No major discrepancies</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?	✓		(3) The Company has established a Salary and Remuneration Committee, which is responsible for formulating and regularly reviewing the policies and systems of directors' performance assessment and their salary and remuneration.	No major discrepancies
(4) Does the Company regularly evaluate the independence of CPAs?	✓		(4) According to the "Corporate Governance Best-Practice Principles", the Audit Committee and the Board of Directors shall evaluate the independence, competence, and professionalism of the Company's CPAs every year on a regular basis, and shall request the CPAs to provide the statement of independence every year. The Group's finance department will review the competence and independence of the CPAs (Note) and report the results of review to the Board of Directors for adoption. Note: Evaluation Standards for the Independence of CPAs	No major discrepancies

Item of assessment	Result of assessment	Independence
1. Does the CPA have direct or significant indirect financial interests with the Company?	No	V
2. Does the CPA engage in financing activities with the Company or its directors?	No	V
3. Does the CPA have a close business relationship and a potential employment relation with the Company?	No	V
4. Are the CPA and members of the audit team holding positions in the Company as directors or managerial officers or those having significant influence on the audit currently or over the last two years?	No	V
5. Does the CPA provide the Company non-audit items that may directly affect the audit?	No	V

<table>
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<tr><th>Yes</th><th>No</th><th>Description of Abstract</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>6. Does the CPA act as agent for stocks or other securities issued by the Company?</td><td>No</td><td>V</td></tr>
<tr><td>7. Does the CPA act as the defender of the Company or on behalf of the Company to coordinate conflicts with other third parties?</td><td>No</td><td>V</td></tr>
<tr><td>8. Is the CPA a family member or relative of the Company's director, managerial officer or another position that has significant influence on the audit?</td><td>No</td><td>V</td></tr>
</table></td><td></td></tr>
<tr><td>4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to Board’s meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of Board’s meetings and shareholders meetings, etc.</td><td>✓</td><td></td><td>The Company adopted the resolution adopted by the Board of Directors in May 2, 2019, and appointed Liao Chih Cheng, head of the Taiwan headquarters, as the head of corporate governance to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Executive Vice President Liao has had more than three years of experience in the position of a public company in charge of finance. The major responsibility of the head of corporate governance is to handle matters related to Board’s meetings and shareholders' meetings in accordance with the law, produce directorate and shareholders' meetings, assist directors and supervisors in continuing education, provide data for directors and supervisors to perform business, assist directors and supervisors to follow laws and regulations.

The implementation of the business in 2019 is as follows:
1. To assist independent director and general directors in carrying out their duties, providing necessary data and arranging directors' training:
1.1 The development and revision of the latest laws and regulations</td><td>No major discrepancies</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
			related to the Company's business areas and corporate governance. 1.2 Inspect the confidential level of information and provide the Company information required by directors, so as to maintain the smooth communication between directors and business executives. 1.3 In accordance with "Corporate Governance Best-Practice Principles", independent director assists in arranging related meetings with individual internal auditors or endorsing accountants to meet individual financial needs. 1.4 To assist independent director and directors in developing annual training plans and arranging courses based on the industrial characteristics of or Company and directors' experience and background. 2. To assist the Board of Directors and shareholders' meeting procedures and resolutions. 2.1 To report to the Board of Directors, independent director, audit committee or supervisor on the Company's corporate governance status, and confirm whether the shareholders' meeting and Board of Directors are in line with the relevant laws and rules of corporate governance. 2.2 To assist and remind the directors to comply with the laws and regulations that should be observed when carrying out the business or making formal resolutions of the Board of Directors.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
			2.3 To be responsible for checking the important information release of the important resolutions of the Board of Directors after the meeting, and ensuring the lawfulness and correctness of the contents of the resolutions, so as to protect the investors' trading information. 3. To inform the Board of Directors 7 days before convening the Board's meeting, and to provide the conference data. If matter is to be avoided, the matter should be reminded in advance, and the minutes of the Board will be completed within 20 days after the meeting. 4. In accordance with the law, registration should be made before shareholders' meeting date, the meeting notice shall be made within the legal time limit, the procedure manual and the procedure record shall be made, and the registration of the change shall be made if Articles of Incorporation is amended or directors are re-elected. The refresher study of 2019: please refer to the Company website.	
5. Does the Company establish communication channel of the stakeholders (including but not limited to shareholders, employees, customers, supplier, etc.), and establish an exclusive zone of the stakeholders in the Company's website, and properly respond the important issues of corporate social responsibility concerned by the stakeholders?	✓		The Company has set up a spokesperson, a deputy spokesperson, and a person in charge of stocks and disclosed their contact information on the Company website for stakeholders' inquiries.	No major discrepancies
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has commissioned Transfer Agency Service of CTBC Bank to hold shareholders' meetings and other relevant affairs within Republic of China.	No major discrepancies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
7.Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has established the website to disclose information on financial operations and corporate governance under "Investors".	No major discrepancies
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has implemented a spokesperson system and disclosed its operation according to the related regulations. An English language website has also been set up. Information on shareholders' meetings and investor conferences is updated in a timely manner.	No major discrepancies
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Employee's rights and employee care: The Company offers a variety of employee benefits and has set up an e-mail to respond to employees' opinions. (2) Investor relations: The Company ensures investors' rights and information transparency by publishing information instantly and explaining corporate finance and business in investor conferences from time to time. The details are as follows: (A). The Company has set up "Investors" in the Company website to help investors understand corporate finance and business. (B). The minutes of the Company's shareholders' meetings were kept in accordance with the Company Act and related laws and regulations and published on the company website. (3) Supplier relations: The Company has requested suppliers to provide raw materials without hazardous substances. (4) Stakeholders' rights: The Company offers latest information and	No major discrepancies

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<tr><td></td><td></td><td></td><td>communicates through a variety of channels to maintain the legal rights and interests of both the Company and stakeholders.
(5) Further studies of directors: The finance department invites lecturers to teach directors on-site from time to time, reports the latest laws and issues associated with finance, tax, and corporate governance in Board's meetings, and requests the CPAs to report ad hoc as needed, so as to improve professional knowledge and further implement corporate governance. Directors' advanced studies in 2018 are as follows:</td><td></td></tr>
</table>

Title	Name	Training Date	Organizer	Course Name	Training Hours
Chairman	Lin Wen Chih	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/12/26	Securities and Futures Market Development Foundatio	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3
Director	Liao Fang Chu	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/12/26	Securities and Futures Market Development Foundatio	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3

Evaluation Item	Implementation Status: Yes	No	Description of Abstract	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Director	Yu Man Sang	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/12/26	Securities and Futures Market Development Foundatio	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3
Director	Liao Chih Cheng	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/7/13	Securities and Futures Market Development Foundatio	Advocacy meeting on legal compliance of insider equity trading in listed companies and unlisted (officer) public offering companies	3
		2018/12/26	Securities and Futures Market Development Foundatio	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3
Independent director	Chang Kun Hsien	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/12/26	Securities and Futures Market Development Foundatio	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3

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<table>
<tr><td rowspan="2">Independent director</td><td rowspan="2">Kuo Shaw Long</td><td>2018/6/8</td><td>Taiwan Corporate Governance Association</td><td>Viewpoint of board secretary on corporate governance and board’s view of operation</td><td>3</td></tr>
<tr><td>2018/12/26</td><td>Securities and Futures Market Development Foundatio</td><td>Strengthening Corporate Governance by using self-evaluation system of Board of Directors</td><td>3</td></tr>
<tr><td rowspan="2">Independent director</td><td rowspan="2">Hsu Ai Chi</td><td>2018/6/8</td><td>Taiwan Corporate Governance Association</td><td>Viewpoint of board secretary on corporate governance and board’s view of operation</td><td>3</td></tr>
<tr><td>2018/12/26</td><td>Securities and Futures Market Development Foundatio</td><td>Strengthening Corporate Governance by using self-evaluation system of Board of Directors</td><td>3</td></tr>
</table>
(6) Implementation of risk management policies and measurement standards: The Company has established internal regulations according to related laws and set up a risk management system to identify existing and future risks regularly or from time to time and respond, report, and monitor immediately. The Company has also enhanced employees' awareness of such risks to ensure corporate sustainable development. For other information, please refer to VII. Review of Financial Conditions, Operating Results, and Risk Management.
(7) Implementation of customer policies: The Company continues to offer customers products with stable quality, maintain a
</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
			long-term relationship with customers, and promote customers' corporate social responsibility. (8) Purchase of liability insurance for the directors of the Company: The Company has purchased liability insurance for directors and managerial officers and re-evaluates the coverage every year. (9) The Company handles material inside information in accordance with the Procedures for Handling Material Inside Information. Material information is published in accordance with the scope and methods prescribed in Paragraphs 5 and 6, Article 157-1 of the Securities and Exchange Act and the definition and regulations of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. To prevent insider trading, people who know material inside information of the Company shall trade securities of the Company in accordance with Article 157-1 of the Securities and Exchange Act. The Company also informs all directors, managerial officers and employees of avoidance of violations or insider trading in a timely manner.	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved (exempt if no evaluation is carried out)	✓		In order to improve governance performance, the following improvements were made in 2018. 1. The Company uploads its annual report in English 7 days before the meeting of the shareholders' regular meeting.	No major discrepancies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
			2. The Company formulates a diversification policy for board members and discloses the implementation of the diversification policy in the annual report and the Company's website. 3. The Company's web site or MOPS discloses annual financial report in English (including financial statements and notes).	

4. Composition, Responsibility and Operation of the Salary and Remuneration Committee

I. Composition of the Salary and Remuneration Committee

To perfect corporate governance and the system of remunerations paid to directors and managerial officers, the Company has established the Salary and Remuneration Committee with the resolution of the Board of Directors on December 27, 2011 in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Salary and Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and has stipulated the articles of association of Salary and Remuneration Committee. Members of the Salary and Remuneration Committee shall include two independent directors of the Company and those appointed by the Board of Directors by resolution. The total number of the members shall not be less than three. An independent director shall be elected as a convener and a chairperson of meetings to represent the Salary and Remuneration Committee. Currently, Salary and Remuneration Committee is composed of three independent directors, and Kuo Shaw Long acts as the convener.

II. Responsibility of the Salary and Remuneration Committee

The Salary and Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following functions and power, and submit the suggestion to the Board of Directors for discussion:

(1) Establishes and periodically reviews the performance evaluation and policies, system, standards, and structure of the remunerations for directors and managers.

(2) Periodically evaluates and establishes remunerations and benefits for directors and managers.

(3) The convener of the Salary and Remuneration Committee shall convene at least two meetings every year, and may convene meetings as needed.

III Information on the Members of Salary and Remuneration Committee

Title	Criteria / Name	Do the Directors Have Five or More Years of Work Experience and the Following Professional Qualifications?			Compliance with independence (Note 1)								Number of independent directors of other public offering companies	Note (Note2)
		Instructor or Above in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent director	Chang Kun Hsien	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent director	Kuo Shaw Long	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent director	Hsu Ai Chi	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	-	-

Note 2: For any member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the "✓" sign in the corresponding field.

(1) Not employed by the Company or an affiliated company.

(2) Not a director or supervisor of the Company or any of its affiliated companies. This restriction does not apply to independent directors of the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country.

(3) Not a natural-person shareholder who holds greater than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds greater than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding greater than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company, or spouse thereof.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

IV. The Information on the operation of the Salary and Remuneration Committee

(1)The Salary and Remuneration Committee of the Company has 3 members.

(2)The term of service for members of the current Salary and Remuneration Committee: From June 15, 2016 to June 14, 2019. In 2018, the Salary and Remuneration Committee convened 4 meetings. The qualifications and attendance of members of the Salary and Remuneration Committee are as follows:

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Note
Independent director	Kuo Shaw Long	4	0	100	-
Independent director	Chang Kun Hsien	4	0	100	-
Independent director	Hsu Ai Chi	4	0	100	-

The operation of the year

Salary and Remuneration Committee	Content of Bill and Follow-up Processing	Resolution	The Company's views on Salary and Remuneration Committee
2018.3.8 The 6th time of the third session	Consideration of the distribution of remuneration and employee remuneration of 2017 directors of the Company	The case was passed without objection after the chairman has consulted all the present members	All the present directors unanimously agrees after being submitted to the Board of Directors
2018.8.6 The 7th time of the third session	1.2017 payment of directors' remuneration 2. Executive Performance Bonus issuance	The case was passed without objection after the chairman has consulted all the present members	All the present directors unanimously agrees after being submitted to the Board of Directors
2018.11.8 The 8th time of the third session	1. The cash capital increase of 2018 managers of the Company issued the case of new stock employee recognition 2. Transfer of Treasury shares of the Company to employees and set a base date for the recognition of shares	The case was passed without objection after the chairman has consulted all the present members	All the present directors unanimously agrees after being submitted to the Board of Directors
2018.12.26 The 9th time of the third session	1. The payment of 2017 employees ' remuneration for managers 2. 2018 Manager Performance Bonus and year-end bonus case	The case was passed without objection after the chairman has consulted all the present members	All the present directors unanimously agrees after being submitted to the Board of Directors

Other matters to be recorded:

1. If the Board of Directors chooses not to adopt or revise recommendations proposed by Salary and Remuneration Committee, the date and session of the Board meeting, the proposal, resolutions of the Board, and the Company's responses to Salary and Remuneration Committee's recommendations shall be specified (where the remuneration approved by the Board meeting is better than that recommended by Salary and Remuneration Committee, the gap and the reason for the approval shall be specified): No such situation.

2. Where resolutions of Salary and Remuneration Committee include a dissenting or qualified opinion which is on record or stated in a written statement, the date and session of the meeting, the proposal, opinions from every member, and responses to such opinions shall be specified: None.

5. Implementation of Corporate Social Responsibility:

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
1. Corporate Governance Implementation (1) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	✓		(1) The Company established the Corporate Social Responsibility Best Practice Principles in 2016 and has disclosed these Principles on the company website.	No major discrepancies
(2) Does the Company provide educational training on corporate social responsibility on a regular basis?	✓		(2) The Company organizes training courses on social responsibilities for employees on a regular basis.	No major discrepancies
(3) Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(3) The Company has set up the Corporate Committee for Sustainable Development to take charge of CSR and report the progress to the Board of Directors on a regular basis; in addition, Fujian Sunshine Footwear Co., Ltd. has established SMP Department (Sustainable Manufacture Performance) to take charge of lean production, environmental engineering, and human resources. Persons are designated to handle each task and report to their unit supervisors.	No major discrepancies
(4) Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		(4) The Company has established the Work Rules and the Performance Evaluation System, which specifies rewards and punishments. The Company evaluates individual performance according to related regulations, and pay raises, bonuses, and promotion will be based on the result of evaluation. In the future, the Company will integrate performance evaluation into the corporate social responsibility policy.	No major discrepancies
2. Sustainable Environment Development (1) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The Company continues to implement energy management and recycling and improve the utilization of resources. In 2018, the Company's main production bases generated 2,649,564KG of non-hazardous waste and 33,539KG of hazardous waste and spent NT$4,196,000 on environmental protection. Major energy-saving projects are as follows: 1.Hubei Sunsmile Footwear Co., Ltd. and Lin Wen Chih Sunbow Enterprises Co., Ltd. implemented the solar power generation construction to reduce fuel consumption and environmental pollution generated from traditional power generation. A geosystem was installed in the soil layer underground. Heat exchangers were buried to exchange heat with soil and rocks and further achieve refrigeration and heating with support of little energy. This saved 20% ~ 50% of energy generated by traditional coal-fired boilers and saved 10% ~ 30% of energy generated by traditional cooling devices. 2.The original steam condensate recovery system was changed into a fully	No major discrepancies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
			closed system to improve the recovering temperature and usage rate of steam and condensate and to save boilers' fuel consumption. 3.Traditional fluorescent lamps were replaced with LED lights to reduce 546,667 kWh in 2018. 4. Water saving was the priority, followed by water efficiency. The specific approaches included the use of energy-saving faucets, awareness promotion, and the reuse of recycled domestic wastewater in irrigation and flushing toilets. 5.The Company reduced volatile organic compounds that could harm employees' health and the environment, such as oily adhesives, treatments and cleaners.	
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(2) The Company has complied with laws and regulations associated with the environment, safety, and health of each country and region and improved the environmental, health and safety management according to customers' requirements. The Company has implemented energy conservation and carbon reduction projects, such as zero plastics, waste recycling, use of water-based chemicals, reuse of wastewater, and use of clean energy, to bring a safe, health, and sustainable environment. The Company has strived to reduce energy consumption, exhaust, wastewater, and waste. Wastewater at each production base of the Company has been discharged in compliance with local laws and regulations.	No major discrepancies
(3) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish Company strategies for energy conservation and carbon reduction?	✓		(3) The Company took the following measures to reduce the impact on global warming: 1.The Group HQ and each production base set up a multi-party video-conferencing system to reduce the frequency of business trips. 2.Dormitories and shuttle buses were arranged at each production base to reduce fuel consumption and exhaust generated from commutes. 3.Separate production bases were set up nearby, and raw materials were transported by company cars to separate plants for processing to reduce energy consumption generated from commutes. 4.Each production base strove for landscaping in addition to implementing energy conservation and carbon reduction in operation. 5.Each production base continued to improve the use of water, electricity, oil and gas by reducing the use of air conditioning through the ventilation system between workshops and paying attention to air conditioning temperatures in operating sites and offices at any time, so as to achieve the goal of energy conservation and carbon reduction.	No major discrepancies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
3. Preserving Public Welfare (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company has established related policies and procedures in compliance with local labor regulations and the International Bill of Human Rights and treated all employees equally and with respect to protect their legal rights and interests.	No major discrepancies
(2) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) 1.To protect employees' rights and interests and smooth communication, the Company has set up "Investors" on the company website. If no or invalid response is received from supervisors regarding any complaints or recommendations during service, all employees may be assured of proper handling by leaving a message on the website, explaining in person, or sending an e-mail. 2.To prevent sexual harassment and abuse, the Group has established a zero-tolerance policy on harassment and abuse and promoted this policy in the orientation, in-service training, and management training. Employees may report cases by the grievance hotline or e-mail with evidence presented.	No major discrepancies
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The Company offers employees health examinations on a regular basis to improve the awareness of their health conditions. In the operating environment, all new employees are required to receive safety and health training; those operating special machines and equipment are required to receive special safety training. In special workplaces, employees shall wear personal protective equipment correctly. In the operating environment which may generate dust or organic solvent steam, employees shall wear a mask. In a noisy environment, employees shall wear earplugs. Other preventive measures taken in production bases included the installation of speed bumps, ventilation systems, silencers, and mechanical safety devices. I. Unit or person in charge of environmental, health, and safety management: The occupational health management department monitors the warnings and notices of occupational diseases and hazards regularly or from time to time, and examines whether warning signs are clean and legible every six months. If warning signs are found damaged, deformed, or faded, they shall be repaired or replaced immediately. Each workshop shall identify occupational diseases and hazards based on the requirements of the Warning Signs for Occupational Hazards in the Workplace (GBZ158) and report warning signs required for the operation to the authority in charge of occupational health management; after reviewing and approving the warning signs reported by each workshop, the authority in charge of occupational health management will purchase the qualified warning signs to ensure the implementation of the	No major discrepancies

<table>
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<tr><th>Yes</th><th>No</th><th>Description of Abstract</th></tr>
<tr><td></td><td></td><td></td><td>warning and notification system.
II. Safety and health management systems and measures: a. Occupational health training system The occupational health management department shall work with the employee training department to ask for opinions on occupational health training according to laws and regulations and needs of positions, make and implement the occupational health training plan, and ensure the provision of training resources. The department shall also keep records of training and create training files, classify training, and evaluate the results of training for future improvement. b. Maintenance system for occupational disease and hazard protective facilities

1. The occupational health management department shall examine the occupational disease and hazard protective facilities every month; departments of use shall examine the protective facilities every week; workers on duty shall record the operation of the facilities every day.
2. The occupational health management department shall work with the equipment management department to make and implement the maintenance plan for occupational disease and hazard protective facilities based on the needs of departments, frequently examine the daily use, maintenance, and repair of the protective facilities, and keep related records.
3. The equipment management department is responsible to repair the occupational disease and hazard protective facilities. When finding any malfunction, departments of use shall cut off the power and report to the equipment management department immediately. They are not allowed to repair the facilities or proceed with production without permission.
4. After the occupational disease and hazard protective facilities are maintained/repaired, the maintenance/repair department shall clean up the site and confirm that the facilities are up to scratch before handing them over to the departments of use with both parties' signatures affixed.
5. The occupational disease and hazard protective facilities at each workshop or department shall be maintained by a designated person, and a related record shall be kept every day.</td><td></td></tr>
<tr><td>(4) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?</td><td>✓</td><td></td><td>(4) The Company has set up a variety of communication channels, including publishing periodicals, convening staff meetings, and setting up the Chairman's e-mail box, to communicate important operation-related messages with all employees. The Company organizes the executive meeting every year to review the annual operating results and set the next year's operating objectives. Executive meetings are held at each production base from time to time to communicate the Company's annual operating objectives to all employees.</td><td>No major discrepancies</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
(5) Does the Company provide its employees with career development and training sessions?	✓		(5) The Company currently offers in-service training to employees and gradually builds career planning.	No major discrepancies
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) The Company provides major customers reports on product quality and production progress on a regular basis, maintains smooth communication with customers, and accepts customers' audits. The business department is responsible to accept or reject customer complaints and report such complaints to the quality assurance department or related units until they are solved. The Company has strictly complied with the Restricted Substances List (RSL) provided by customers. The Company tests a raw material/material before purchasing it to avoid any restricted substances contained in the raw material/material. When any restricted substances are found in the test, the Company will stop purchasing such a raw material/material. Using such a raw material/material in production is prohibited to keep production free from materials that may cause damage to human bodies or the environment. In addition to confidentiality agreements provided by customers, the Company alerts related researchers to the importance of confidentiality of customers' intelligent property rights on a regular basis.	No major discrepancies
(7) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) The Company has been a member of SATRA, the most authoritative British organization in the footwear industry, and its certified laboratory. SATRA researches and tests shoes in accordance with international standards. To ensure the quality of raw materials, the Company samples materials based on SATRA standards to examine whether colors, textures, and specifications meet the standards. To assure the Company's product quality, finished shoes go through the pull test and the wash test to verify the pressure which finished shoes can endure. The Company has insisted on implementing the ISO quality standards and has passed the ISO9001:2008 certification. Aiming to meet customers' needs, the Company has introduced the PDCA cycle (Plan, Do, Check, and Adjust) to ensure quality and legal compliance.	No major discrepancies
(8) Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		(8) The Company has requested suppliers to provide raw materials without hazardous substances. To eliminate any risk of harm to users' health, the Company works closely with customers and suppliers to check every process, from material development, production, packaging, to shipping, strictly, so as to offer products that are up to international standards.	No major discrepancies
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the	✓		(9) To protect customers, employees, and the environment, the Company has strived to fulfill its corporate social responsibility by purchasing materials from suppliers which uphold the same value with us; in addition, the Company has	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?			established the Policy on Conflict Minerals. In the future, the Company will sign with major suppliers a contract stipulating that the Company may terminate or rescind the contract if the suppliers violate the corporate social responsibility, and such a violation has significant influence on the environment and society.	No major discrepancies
4. Enhancing Information Disclosure (1)Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) The Company has set up the "Responsibility" webpages on the company website to disclose information on environmental protection, social participation, and charity trust. Information on corporate social responsibilities has also been disclosed in the annual report or prospectus.	No major discrepancies

5. If the Company has established its own corporate social responsibility best practice principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please state the difference: The Company has established the Corporate Social Responsibility Best Practice Principles and the Corporate Committee for Sustainable Development according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies to contribute to environmental protection, social services, welfare, consumer rights, human rights, safety and health, and other social responsibilities.

6. Other important information helpful in understanding CSR operation: Upholding the spirit of taking from society, giving back to society, the Company has actively participated in charitable activities to promote local education and social welfare with the Group's materials and human resources. The Company has established Charitable Trust Fulgent Sun Group International Charity Fund to provide assistance for schools and groups in Yunlin through donation from time to time and to subsidize social activities organized by other production bases. In 2018, the Group donated NT$5,226,777 to the following:

(1) Tuition and miscellaneous expenses, after-class counseling fees, and activity expenses of the economically disadvantaged children.
(2) Meals offered to the elderly aged 65 or more or indigenous peoples aged 55 or more who lived independently, were disabled, and were diagnosed or suspect of dementia.
(3) Breakfasts, meals, and nutrition offered to the disadvantaged children in remote and general areas in Yunlin.
(4) Subsidies offered to children fewer than 18 whose family income is insufficient to maintain the basic needs of children.
(5) Educational funds donated by Fujian Sunshine Footwear Co., Ltd. to Quanzhou Middle School to help improve school conditions and passion for education.
(6) Establishment of medical equipment, inspection centers and wards in Quanzhou with the help of Fujian Sunshine Footwear Co., Ltd.

<table>
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<tr><th>Yes</th><th>No</th><th>Description of Abstract</th></tr>
<tr><td colspan="5">(7) Children funds in Anmei City and Xiannu City, establishment of canteens and bathrooms in nurseries, student aid funds and disaster allowances in Anmei City, and disaster prevention funds in Xinan Province offered by Fulgent Sun Footwear Co., Ltd. and NGOC HUNG Footwear Co., Ltd.
(8) Social activities are expected to be invested in 2019 as follows:
1. World Peace Society, Community of Societies-"Dajia Matsu Pilgrimage" volunteer stall, the celebration of love donation towel in the environment clean.
2. HUASHAN SOCIAL WELFARE FOUNDATION-"Love Elderly Movement" public welfare.
3. BaozhongShan and the elderly long-term care centre-"accompanying the elderly in listening to demand".
4. Taiwan Fund for Children and Families, Dongshih Sunshine Baseball Association summer baseball camp.
5. EPD-Marine Net beach recognition, spontaneous clean mountain activities, etc.
6. The "2019 Genesis Social Welfare Foundation-Love Fire Prevention public Park Fair, organized by the Genesis Social Welfare Foundation in Yunlin in 2019.</td></tr>
<tr><td colspan="5">7. Please specify if the CSR report of the Company has passed the inspection of related certification agencies: None.</td></tr>
</table>

6. Implementation of Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
1. Formulating policies and plans for ethical corporate management (1) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies? (2) Has the Company developed a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations in the said plan? Has the plan been implemented accordingly? (3) Has the Company put in place preventive measures for the items prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies or business activities with a higher risk of being involved in an unethical conduct in the company's scope of business?	✓ ✓ ✓		(1) The Company has established the Ethical Corporate Management Best Practice Principles, which stipulate that the Company's directors, managerial officers and employees shall implement ethical corporate management. (2) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate the prohibition of unethical conduct; the Company's Codes of Ethical Conduct also stipulate the avoidance of personal interests, fair trade, legal compliance, and reporting of illegal or unethical conduct. Any violations are subject to the punishments prescribed in the personnel regulations. (3) To strengthen the implementation of ethical corporate management, the Company's Ethical Corporate Management Best Practice Principles clearly stipulate that operating activities with higher risks of involving in unethical conduct, including offering or acceptance of bribes, illegal political donations, improper charitable donations or sponsorship, offering or acceptance of unreasonable presents or hospitality, or other improper benefits, shall be prevented.	No major discrepancies No major discrepancies No major discrepancies
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and its trading counterpart clearly provide terms on ethical conduct? (2) Has the Company established a full-time (part-time) unit directly under the supervision of the Board, which is devoted to promoting corporate ethical business, and routinely reporting its implementation to the Board?	✓ ✓		(1) The Company's employees avoid commercial dealings with unethical suppliers, customers, or other trading partners. Once unethical conduct is identified, the Company will immediately suspend all dealings and blacklist the said suppliers, customers, or other trading partners. (2) The Company has established the Audit Committee. The Audit Committee organized meetings at least once every quarter to supervise the implementation of internal controls and legal compliance and to report to the Board of Directors.	No major discrepancies No major discrepancies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
(3) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?	✓		(3) When the Company's employees discover, when performing business, any conflict of interests, the conflict has to be reported to an immediate supervisor, who shall provide appropriate guidance.	No major discrepancies
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?	✓		(4) The Company's audit unit leads the self-examination of internal controls, reviews the implementation, and evaluates the need for adjustment every year; the audit unit implements the internal controls based on the annual audit plan and reports the operation of audits to the Board of Directors on a regular basis.	No major discrepancies
(5) Does the Company regularly organize internal and external training on ethical corporate management?	✓		(5) The Company has promoted the awareness of ethical corporate management to employees in executive meetings and weekly meetings.	No major discrepancies
3. Operation of whistle-blowing mechanisms in the Company (1) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	✓		(1) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate the whistle-blowing and grievance systems. Employees may report by the Company's E-mail. In case of material violations or damage to the Company, the Company shall make a report immediately and inform independent directors or the Audit Committee in writing.	No major discrepancies
(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	✓		(2) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate that the identity of a whistle-blower and the case reported shall be kept confidential.	No major discrepancies
(3) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?	✓		(3) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate the whistle-blowing system and confidentiality to protect whistle-blowers from inappropriate disciplinary action.	No major discrepancies
4. Strengthening information disclosure (1) Has the Company disclosed the content of its best practices on ethical corporate management and the effectiveness of its activities on its official website or Market Observation Post System (MOPS)?	✓		(1) In pursuit of information transparency, the Company has disclosed information on corporate finance, business, and governance on the company website. The Ethical Corporate Management Best Practice Principles and the Codes of Ethical Conduct have been published on the company website. All employees are required to comply with these Principles and Codes. A person has been	No major discrepancies

<table>
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<tr><th>Yes</th><th>No</th><th>Description of Abstract</th></tr>
<tr><td></td><td></td><td></td><td>designated to publish company information on the MOPS and company website on a regular basis to provide investors correct and complete information.</td><td></td></tr>
<tr><td colspan="5">5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: The Company has established the Ethical Corporate Management Best Practice Principles and the Codes of Ethical Conduct to implement ethical corporate management and prevent unethical conduct.</td></tr>
<tr><td colspan="5">6. Any important information useful for understanding the state of ethical corporate management: The Company always has dealings with counterparts in good faith and promotes its ethical corporate management to both counterparts and employees at any time.</td></tr>
</table>

7. Corporate Governance Best Practice Principles and Related Regulations Upholding the spirit of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company has established the Audit Committee's Articles of Association, the Salary and Remuneration Committee's Articles of Association, the Rules of Procedures for Board of Director Meetings, the Rules of Procedures for Shareholders' Meetings, the Procedures for Handling Material Inside Information, the Codes of Ethical Conduct, the Ethical Corporate Management Best Practice Principles, and the Procedures for Trading with Group Companies, Specific Companies, and Related Parties to implement corporate governance; the aforesaid regulations have been made available on the company website and Intranet.

8.Other Important Information for Better Understanding of Implementation of Corporate Governance

I. Corporate Governance Best Practice Principles

(1) Immediate disclosure of important information.
(2) Good communication between the Board of Directors and the management.
(3) A certain percentage of independent directors.
(4) Establishment of the Audit Committee, which ensures the independence and fairness of the CPAs.
(5) Establishment of Salary and Remuneration Committee, which strengthens corporate governance and consolidates Remunerations paid to directors and managerial officers.
(6) Voting of proposals one by one in Board’s meetings for fully implementing the exercise of shareholders' rights.
(7) Compliance with the Codes of Ethical Conduct, ethical corporate management, and internal audits.

II. To facilitate the understanding of and compliance with the Procedures for Handling Material Inside Information among employees, managerial officers, and directors, the Company has included these Procedures in the internal control system, so as to reduce risks of insider trading.

III. The Company and persons in charge of financial information transparency have obtained the following certificates designated by the regulator:

Name of Certification	Certification Issuer	Number of Persons
Senior Examination for Certified Public Accountants	Examination Yuan	1
General Examination for Bookkeepers	Examination Yuan	2
Stock Affairs Specialist	Securities and Futures Market Development Foundation	4
Basic Proficiency Test for Corporate Internal Control	Securities and Futures Market Development Foundation	1

IV. The following is the training situation of managerial officers in 2018 to the printing date of the annual report:

Title	Name	Training Date	Organizer	Course	Training Hours
Group President	Liao Fang Chu	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/12/26	Securities and Futures Market Development Foundation	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3
Taiwan HQ Executive Vice President	Liao Chih Cheng	2018/4/26	Institute of Internal Auditors	Interpretation of Financial Analysis Indexes and Prevention of Operating Risks	6
		2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/6/21-22	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	3
		2018/7/13	Securities and Futures Market Development Foundation	Advocacy meeting on legal compliance of insider equity trading in listed companies and unlisted (officer) public offering companies	3
		2018/12/10	Institute of Internal Auditors	Knowledge of labor law auditors should have - from recruit to leave	6
		2018/12/26	Securities and Futures Market Development Foundation	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3

Title	Name	Training Date	Organizer	Course	Training Hours
Group CFO	Fan Chen Hsiang	2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/6/21-22	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	3
		2018/12/26	Securities and Futures Market Development Foundation	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3
Group audit associate manager	Chou Yu Fan	2018/4/26	Securities & Futures Institute	Interpretation of Financial Analysis Indexes and Prevention of Operating Risks	6
		2018/6/8	Taiwan Corporate Governance Association	Viewpoint of board secretary on corporate governance and board's view of operation	3
		2018/12/10	Institute of Internal Auditors	Knowledge of labor law auditors should have - from recruit to leave	6
		2018/12/26	Securities and Futures Market Development Foundation	Strengthening Corporate Governance by using self-evaluation system of Board of Directors	3

9. Implementation of Internal Control System

I. Statement of Internal Control

Fulgent Sun International (Holding) Co., Ltd.

Statement of Internal Control System

Date: March 8, 2019

This Statement of Internal Control System is issued based on the self-assessment of the Company for 2018.

1. The Company acknowledges that the establishment, implementation and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has constructed such system. The objectives of the internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.

2. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

3.The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control:1. Control Environment; 2.Risk Assessment; 3.Control Activities; 4.Information and Communication; and 5.Monitoring Activities. Each constituent element includes a number of categories. Please refer to "The Regulations" for the aforementioned categories.

4.The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

5. Based on the above assessment results, the Company determined that the Company's internal control system on December 31,2018 (covering monitoring and management of its subsidiaries) has been effectively designed and implemented and sufficient to ensure that the objectives below are achieved, including understanding the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely and transparent reporting and compliance of applicable rules, laws, regulations and bylaws.

6.According to Article 4 of the Taiwan Stock Exchange Corporation Rules for Regulating Primary Listed Foreign Issuers, the Company, in pursuance of Article 28 of "the Regulations", engaged certified public accountants to audit its internal control system relating to the reliability of its financial reporting and protection of asset security (such that its assets are not acquired, used or disposed of without the Company's authorization). As described in the preceding paragraph, the design and implementation of the Company's internal control system are robust, and no major shortcomings have been noticed that affect the reliability of the recording, handling, consolidation and reporting of financial information. Furthermore, the Company's asset security is also not adversely affected and there is no major shortcoming with regard to acquisition, use and disposal of the Company's assets without authorization.

7.This Statement will form an integral part of the Annual Report and the Prospectus of the Company. If the aforementioned content contains illegal matters such as any fraudulent or hidden information, the Company will be in question of breaching Articles 20, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.

8.This Statement has been approved by the Board of Directors on March 8, 2019. Among seven directors present, no director raised any objection. All of them agreed with the contents of this statement and made this statement.

Fulgent Sun International (Holding) Co., Ltd.

Chairman: Lin Wen Chih

President: Liao Fang Chu

II. Any CPA commissioned to conduct a project review of the internal control system shall disclose the CPA’s evaluation report:

Fulgent Sun International (Holding) Co., Ltd.
Review Report of the Internal Control System

Report Translated From Chinese

Attached is the internal control system that Fulgent Sun International (Holding) Co., Ltd. (the Company) believes to be relevant to its financial reporting and protection of asset security on March 8, 2019. Our CPAs have reviewed the statement pertaining to its design and implementation from January 1, 2018 to December 31, 2018. Maintaining an effective internal control system and evaluating its effectiveness is the responsibility of the Company's management. The responsibility of our CPAs is to comment on its effectiveness based on evaluation, and of internal control system in listed companies.

Our CPAs have planned and performed the audit in accordance with the “Regulations and the Generally Accepted Accounting Principles (GAAP)" to ensure that the Company's internal control system is effective in all material aspects. This inspection includes an understanding of the Company's internal control system evaluating the process of the management's assessment on its overall effectiveness, testing and evaluating the effectiveness of the design and practices of the internal management system, and other audit procedures as our CPAs see it fit. Our CPAs believe that this audit procedure will serve as a reasonable proof of assessment.

Any internal control system has inherent constraints; hence, it is possible that the Company's aforementioned internal control system may not be able to prevent or detect errors or frauds that have already taken place. In addition, future environment may change, and compliance with the internal control system may also decrease; hence, a current effective internal control system may not be as effective in the future too.

Our CPAs are of the opinion that, based on the assessment items in judging the effectiveness of an internal control system in accordance with the Regulations, the design and implementation of the Company's internal control system that is relevant to its financial reporting and protection of asset security could be deemed effective in all material aspects from January 1, 2018 to December 31, 2018. After evaluation, the statement which the Company issued on March 8, 2019, concluding that the design and implementation of the Company's internal control system relating to its financial reporting and protection of asset security are effective in all material aspects, is a fair presentation.

Pricewaterhouse Coopers (PwC) Taiwan

Hung Shu-Hua

Certified Public Accountants

Wang Yu-Chuan

March 8, 2019

10. Lawful Punishment Inflicted on the Company, and/or Disciplinary Action Taken by the Company against Its Employees for Violating the Internal Control System, Material Faults and Improvements in the Most Recent Year and As of the Printing Date of This Annual Report: In 2018, there was no lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against Its employees for violating the internal control system.

11. Important Resolutions Made in/by the Shareholders' Meeting and the Board's meetings in the Most Recent Year and As of the Printing Date of This Annual Report:

I. Important resolutions approved in the shareholders' meeting on June 8, 2018 and their implementation:

i. Adoption of 2017 consolidated financial statements and business report.
Implementation: Approved in the shareholders' meeting.

ii Adoption of distribution of 2017 earnings by cash dividends NT$3.3 per share.
Implementation: Cash dividends will be distributed to shareholders at NT$4.1 per share, totaling NT$599,553,857. Moreover, NT$5,000,000 for employees' remuneration and NT$5,000,000 for directors' remuneration shall be made respectively.

iii To amend some provisions of the "Articles of Incorporation".
Implementation: Resolutions of the shareholders' meeting are passed.

II. Important resolutions approved in the Board meeting on March 8, 2018:

i The business plan of 2018.
ii Statement of Internal Control System of 2017.
iii The Company's 2017 consolidated financial statements.
iv The Company's 2017 business report.
v Distribution of 2017 earnings.
vi Evaluation of independence of the Company's CPAs in 2018.
vii To amend some provisions of the "Articles of Incorporation".
viiiTo Amend the "Level of Authority".
ix To set up the "International Financial Reporting Standards No.16 for Lease Introduction Plan".
x To receive the shareholders' proposal on period, locations and related matters.
xi Set the date and agenda for the 2018 regular meeting of the boards of the Company.

III. Important resolutions approved in the Board meeting on May 9, 2018:

i. The Company's consolidated financial statements at the 1st quarter of 2018.
ii. Revision of the written system of internal controls-financial statement preparation management operations.

IV. Important resolutions approved in the Board meeting on June 8, 2018:

i. Authorization of Chairman Lin Wen Chih to deal with the apportionment of the 2017 net profit of the subsidiary "Capital Concord Enterprises Limited."
ii. Setting of the ex-dividend date for the distribution of cash dividends.

V. Important resolutions approved in the Board meeting on August 6, 2018:

i. The Company's consolidated financial statements at the 2nd quarter of 2018.
ii. The issue of the payment of directors' remuneration in 2017.
iii. The distribution of managers' performance bonuses in the first half year of 2018.

iv. The Company intends to handle the 2018 annual cash replenishment issue of new shares and the collection and issuance of the 4th domestic unsecured conversion company debt.

VI. Important resolutions approved in the Board meeting on November 8, 2018:
i. The Company's consolidated financial statements at the 3rd quarter of 2018.
ii. The Company intends to increase the investment subsidiary "Capital Concord Enterprises Limited.”.
iii. Revision of the written system of internal control between the Company and its subsidiaries-"Liability Commitment And Contingent Management Operations" and the written system of internal control of each subsidiary-"Property, Plant and Equipment Cycle".
iv. The Company's 2018 manager's cash capital increase issued new shares of the employee recognition case.
v. The Company treasury shares transferred to the staff and set a base date for the recognition of shares.

VII. Important resolutions approved in the Board meeting on December 26, 2018:
i. The Company's audit plan in 2019.
ii. The Company's budget in 2019.
iii. The payment of employee remuneration by managers in 2017.
iv. The annual manager Performance bonus and year-end bonus in 2018.
v. Revision of the written system of internal control-"Acquisition or Disposition of Asset Disposal Procedures".

VIII. Important resolutions approved in the Board meeting on March 8, 2019:
i. The business plan of 2019.
ii. The Statement of Internal Control System of 2018.
iii. The Company's consolidated financial statements of 2018.
iv. The Company's business report in 2018.
v. The Company's employee and Director’s Remuneration Distribution in 2018.
vi. Evaluation of independence of the Company's CPAs in 2019.
vii. The Company intends to increase the investment subsidiary "Capital Concord Enterprises Limited.”.
viii. Appointment of the Group CSO.
ix. Appointment of the Group CEO.
x The relevant matters for re-election of directors (including independent directors) of the Company.
xi. To relieve the new director and his representative of the prohibition of competition.
xii. To formulate matters relating to the acceptance by shareholders of the motion of the general meeting of Shareholders and the nomination of candidates (including independent directors) in 2019.
xiii. Nomination of directors and independent directors.
xiv. Set the date and agenda for the regular meeting of the Boards of the Company in 2019.

IX. Important resolutions approved in the Board meeting on May 2, 2019:
i. To consider the qualifications of the directors (including independent directors) who have been nominated.
ii. The Surplus distribution in 2018

iii. The Company consolidated financial statements for the 1st quarter of 2019.
iv. To amend some of the provisions of the “Articles of Incorporation”.
v. Amend the "Level of Authority".
vi. Revise some of the provisions of the Company's Code of Practice on Corporate Governance.
vii. To finalize the Company's "Board Performance Evaluation Measures".
viii. The appointment of the Head of Corporate Governance.
ix. To finalize the Company's "Standard Operating Procedures for Handling Directors ' Requirements".
x. To amend the written system of internal controls "Other Management Operations-Management Operations for The Operation of The Board of Directors" and "Rules of Procedure of the Board of Directors".
xi. Revision of the provisions of the Company's " Processing Procedures for Endorsement Guarantee" and "Processing Procedures for Funds Loaning to Others".
xii. To add new internal key dedicated information personnel.
xiii. To supplement the Company's General Meeting Motion in 2019.

12. Record or written statement of directors or supervisors holding different opinions on important resolutions approved by the Board of Directors in the most recent year and as of the printing date of this annual report: No such situation in this year.

13. Resignation or dismissal of the Company's chairman, president, heads of accounting, finance, internal audit and R&D in the most recent year and as of the printing date of this annual report: No such situation in this year.

5. Information on Certified Public Accountants' Fees

(1) Range of CPAs' Fees

Name of Accounting Firm	Name of CPA		Auditing Period	Remarks
PwC Taiwan	Hung Shu-Hua	Wang Yu-Chuan	2018.1.1 ~ 2018.12.31	None

Unit: NT$1,000

Interval of the Amount \ Category of Fees		Audit Fee	Non-Audit Fee (Note)	Total
1	Less than NT$ 2,000,000	-	1,144	1,144
2	NT$2,000,000 ~ NT$4,000,000	-	-	-
3	NT$4,000,000 ~ NT$6,000,000	-	-	-
4	NT$6,000,000 ~ NT$8,000,000	6,200	-	6,200
5	NT$8,000,000 ~ NT$10,000,000	-	-	-
6	More than or equal to NT$10,000,000	-	-	-

Note: Fee for the transfer pricing report.

(2) CPAs' Fees Shall Be Disclosed if One of the Following Takes Place:

1. The non-audit fee paid to the CPAs, the accounting firm of the CPAs and its affiliated company's accounts for 1/4 of the audit fee or more: None.
2. When the Company has changed the accounting firm, and in that particular fiscal year, the audit fee paid was less than that in the preceding fiscal year, the Company shall disclose the decreased amount and reason: None.
3. When the audit fee decreases by 15% or greater than that in the previous fiscal year, the Company shall disclose the decreased amount, ratio, and reason: None.

6. Information on Replacement of Certified Public Accountants: None.

7.(Chairman, President, or Managerial Officer in Charge of Finance or Accounting Having, in the Most Recent Year, Held a Position at the Accounting Firm of CPAs or at an Affiliated Company: No such situation.

8. Equity Transfer or Changes in Equity Pledge of Directors, Supervisors, Managerial Officers, or Shareholders Holding greater than 10% of the Company's Shares in the Most recent Year and As of the Printing Date of This Annual Report

(1) Changes in Shareholding of Directors, Supervisors, Managerial Officers and Major Shareholders

April 14, 2019; Unit: Shares

Title	Name	2018		As of Book Closure Date of the Current Year	
		Number of Shareholding Increase/Decrease	Number of Pledged Shares Increase/Decrease	Number of Shareholding Increase/Decrease	Number of Pledged Shares Increase/Decrease
Chairman	Lin Wen Chih(Note1)	440,000	-	898,544	-
Director & President	Liao Fang Chu(Note1)	416,000	-	1,147,969	-
Director	Yu Man Sang(Note2)	-	-	136,146	-
Director & Taiwan HQ Executive Vice President	Liao Chih Cheng	95,000	-	46,710	-
Independent director	Chang Kun Hsien	-	-	-	-
Independent director	Kuo Shaw Long	-	-	-	-
Independent director	Hsu Ai Chi	-	-	-	-
CFO	Fan Chen Hsiang	50,002	205,000	47,998	-
Group audit associate manager	Chou Yu Fan	6,000	-	12,464	-
Vice-president of procurement	Lin Feng Yun (Note3)	-	-	40,489	-
Vice President of Sales	Chen Ming Hsien	-	-	40,000	-
Vice president of production, China	Huang Xu Ming	-	-	41,538	-
Executive Vice president, Vietnam	Chuang Tien Ko (Note4)	-	-	-	-
Executive vice president, Cambodian	Lin Wen Kuang	-	-	105,414	-
Vice President of production, Cambodia	Chen Shih Chin (Note5)	-	-	40,000	-

Note 1: Shares are held directly or indirectly through himself and a foreign controlling company.
Note 2: Shares are held directly through the custodial account of Yu Man Sang used by CTBC Bank.
Note 3: Lin Feng Yun, the vice-president of procurement, has been retiring since April 1, 2019.
Note 4: Chuang Tien Ko, executive vice president, Viet Nam, has been retiring since March 1, 2018.
Note 5: Chen Shih Chin, vice president of production in Cambodia, resigned on March 1, 2019.

(2) Information on Equity Transfer:
The Company's directors, managerial officers, and shareholders with a shareholding ratio of 10% or more did not engage in equity transfer.

(3) Information on Equity Pledge: The relative artificial relationship of the non-equity pledge is the situation of the person.

9. Relationship between Top Ten Shareholders who Is a Related Party, Spouse or Second Degree of Kinship

As of April 14, 2019; Unit: Shares, %

Name	Shares Held Personally		Shares Currently Held by Spouse and Minor		Total Shares Held in the Name of Others		Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship		Note
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name	Relationship	
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank (Note1) Representative: Lin Wen Chih	22,182,009	13.88	21,408,018 (Note2)	13.39	-	-	Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	spouse	-
							Lin Wen Chih	Same as the representative	-
							Lin Hsueh Ching	2nd-degree relative	-
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank (Note1) Representative: Liao Fang Chu	19,760,372	12.36	25,329,661 (Note3)	15.85	-	-	Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	spouse	-
							Lin Wen Chih	spouse	-
							Lin Hsueh Ching	2nd-degree relative	-
Huang Wei Chieh	5,430,897	3.40	-	-	-	-	-	-	-
Custodial account of Yu Man Sang Used by CTBC Bank (Note4)	4,561,617	2.85	-	-	-	-	-	-	-
Tsai Chi Lung	3,770,938	2.36	-	-	-	-	-	-	-
Custodial Account (Morgan Stanley & Co. International Limited) Used by HSBC	3,680,887	2.30	-	-	-	-	-	-	-
Lin Hsueh Ching	3,561,697	2.23	-	-	-	-	Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	2nd-degree relative	-
							Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	2nd-degree relative	-
							Lin Wen Chih	2nd-degree relative	-
(ASG INT'L CO., LTD.) Used by CTBC Bank (Note 1) Representative: Chuang Tien Ko	3,385,356	2.12	-	-	-	-	-	-	-
Lin Wen Chih	3,147,652	1.97	21,408,018 (Note2)	13.39	22,182,009	13.88	Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	spouse	-
							Lin Hsueh Ching	2nd-degree relative	-
Cheng Yu Hsia	2,818,926	1.76	-	-	-	-	-	-	-

Note 1: Shares are held indirectly by Lin Wen Chih, Liao Fang Chu, and Chuang Tien Ko.

Note 2: Shares held by the spouse Liao Fang Chu include those held by the spouse and those held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.

Note 3: Shares held by the spouse Lin Wen Chih include those held by the spouse and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.

Note 4: Shares are held directly by Yu Man Sang.

10. Number of Shares Held by the Company, Its Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Undertakings in the Same Invested Companies, and the Consolidated Shareholding Ratio

As of March 31, 2019; Unit: Shares, %

Invested Company (Note 1)	Investments of the Company		Investments of Directors, Supervisors, Managers and Directly or Indirectly Controlled Businesses		Total Investments	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Capital Concord Enterprises Limited	1,385,900,000	100%	-	100%	1,385,900,000	100%
Fujian Sunshine Footwear Co., Ltd. (Note2)	-	-	-	100%	-	100%
Hubei Sunsmile Footwear Co., Ltd.(Note2)	-	-	-	100%	-	100%
Sunny Footwear Co., Ltd. (Note2)	-	-	-	100%	-	100%
Fulgent Sun Footwear Co., Ltd. (Note2)	-	-	-	100%	-	100%
Fujian Laya Outdoor Products Co., Ltd.(Note2)	-	-	-	100%	-	100%
Laya Outdoor Products Limited(Note2)	-	-	-	100%	-	100%
Laya Max Trading Co., Ltd. (Note2)	-	-	-	100%	-	100%
Fujian La Sportiva Co., Ltd. (Note2)	-	-	-	60%	-	60%
Lin Wen Chih Sunbow Enterprises Co., Ltd.(Note2)	-	-	-	100%	-	100%
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. (Note2)	-	-	-	91.27%	-	91.27%
Lin Wen Chih Sunlit Enterprises Co., Ltd. (Note2)	-	-	-	100%	-	100%
NGOC HUNG Footwear Co., Ltd.(Note2)	-	-	-	100%	-	100%

Note 1: Invested by the Company using the equity method.

Note 2: The company is a limited company with no share issued.

IV. Funding Status

1. Capital & Shares

(1) Source of Share Capital

i.Formation of share capital

Unit: Thousand Shares: NT$1,000

Date	Issue Price (NT$)	Approved Share Capital		Paid-Up Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Share Capital	Capital Increased by Assets Other than Cash	Others
November, 2009	10	150	1,500	150	1,500	150,000 shares of incorporation	-	-
December, 2009	10	58,651	586,509	58,651	586,509	Issuance of 58,501,000 shares for acquisition of Capital Concord Enterprises Limited	The consideration of the shares is the net value of Capital Concord Enterprises Limited Hong Kong	-
March, 2011	69.04	100,000	1,000,000	78,651	786,509	Issuance of 20,000,000 shares for acquisition of BVI	The consideration of the shares is the net value of BVI.	-
August, 2011	62	120,000	1,200,000	86,516	865,159	Issuance of 7,865 thousand shares for capital increase by cash	-	-
August, 2011	10	120,000	1,200,000	95,168	951,675	Issuance of 8,652,000 shares for capital increase by retained earning	-	-
July, 2012	10	120,000	1,200,000	104,684	1,046,843	Issuance of 9,516,000 shares for capital increase by retained earning	-	-
October, 2012	10	200,000	2,000,000	104,684	1,046,843	Increase in authorized capital	-	-
October, 2012	25	200,000	2,000,000	118,642	1,186,423	Issuance of 13,958,000 shares for capital increase by cash	-	Note 1
March, 2014	0	200,000	2,000,000	119,842	1,198,423	Issuance of 1,200,000 restricted employee shares	-	Note 2
September, 2014	10	200,000	2,000,000	127,088	1,270,880	Cancellation of 24,000 restricted employee shares; conversion of domestic corporate bonds into 7,270,000 ordinary shares	-	Note 3
December, 2014	10	200,000	2,000,000	129,343	1,293,433	Cancellation of 20,000 restricted employee shares; conversion of domestic corporate bonds into 2,275,000 ordinary shares	-	Note 4
March, 2015	10	200,000	2,000,000	130,875	1,308,747	Cancellation of 88,000 restricted employee shares; conversion of domestic corporate bonds into 1,620,000 ordinary shares	-	Note 5
June, 2015	10	200,000	2,000,000	132,542	1,325,420	Conversion of domestic corporate bonds into 1,667,000 ordinary shares	—	Note 6
September, 2015	10	200,000	2,000,000	132,957	1,329,574	Cancellation of 31,000 restricted employee shares; conversion of domestic corporate bonds into 446,000ordinary shares	—	Note 7

Date	Issue Price (NT$)	Approved Share Capital		Paid-Up Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Share Capital	Capital Increased by Assets Other than Cash	Others
December, 2015	10	200,000	2,000,000	132,698	1,326,983	Cancellation of 511,000 treasury stocks; cancellation of 6,000 restricted employee shares; conversion of domestic corporate bonds into 258,000 ordinary shares	—	Note 8
March, 2016	10	200,000	2,000,000	132,891	1,328,911	Cancellation of 9,000 restricted employee shares; conversion of domestic corporate bonds into 202,000 ordinary shares	-	Note 9
June, 2016	10	200,000	2,000,000	133,365	1,333,654	Cancellation of 2,000 restricted employee shares; conversion of domestic corporate bonds into 476,000 ordinary shares	-	Note 10
August, 2016	43	200,000	2,000,000	137,365	1,373,654	Issuance of 4,000,000 shares for capital increase by cash	-	Note 11
September, 2016	10	200,000	2,000,000	137,471	1,374,718	Conversion of domestic corporate bonds into 106,000 ordinary shares	-	Note 12
December, 2016	10	200,000	2,000,000	138,095	1,380,954	Cancellation of 6,000 restricted employee shares; conversion of domestic corporate bonds into 630,000 ordinary shares	-	Note 13
March, 2017	10	200,000	2,000,000	138,455	1,384,555	Conversion of domestic corporate bonds into 364,000 ordinary shares; cancellation of 4,000 restricted employee shares	-	Note 14
June, 2017	10	200,000	2,000,000	143,492	1,434,929	Conversion of domestic corporate bonds into 5,038,000 shares ordinary	-	Note 15
September, 2017.9	10	200,000	2,000,000	146,108	1,461,081	Conversion of domestic corporate bonds into 2,615,000 ordinary shares	-	Note 16
December, 2017	10	200,000	2,000,000	146,197	1,461,973	Conversion of domestic corporate bonds into 89,000 ordinary shares	-	Note 17
March, 2018	10	200,000	2,000,000	146,255	1,462,550	Conversion of domestic corporate bonds into 58,000 ordinary shares	-	Note 18
June, 2018	10	200,000	2,000,000	146,274	1,462,735	Conversion of domestic corporate bonds into 19,000 ordinary shares	-	Note 19
January, 2019	10	200,000	2,000,000	152,274	1,522,735	Issuance of 6,000,000 shares for capital increase by cash	-	Note 20
February, 2019	10	200,000	2,000,000	152,304	1,523,031	Conversion of domestic corporate bonds into 30,000 ordinary shares	-	Note 21
March, 2019	10	200,000	2,000,000	158,992	1,589,915	Conversion of domestic corporate bonds into 6,718,000 ordinary shares	-	Note 22

Note 1: Approved by Jin-Guan-Cheng-Fa-Zi No.1010039431 dated September 13, 2012.
Note 2: Approved by Jin-Guan-Cheng-Fa-Zi No.1020025982 dated July 4, 2013.

Note 3: Cancellation of restricted employee shares: approved by Tai-Cheng-Shang-Er-Zi No.1030021486 dated October 16, 2014. Conversion of domestic corporate bonds into ordinary shares: approved by Tai-Cheng-Shang-Er-Zi No.1030020911 dated October 8, 2014.

Note 4: Cancellation of restricted employee shares: approved by Tai-Cheng-Shang-Er-Zi No.1040000619 dated January 14, 2015. Conversion of domestic corporate bonds into ordinary shares: approved by Tai-Cheng-Shang-Er-Zi No.1040000350 dated January 9, 2015.

Note 5: Cancellation of restricted employee shares: approved by Tai-Cheng-Shang-Er-Zi No.1040006969 dated April 17, 2015. Conversion of domestic corporate bonds into ordinary shares: approved by Tai-Cheng-Shang-Er-Zi No.1040006071 dated April 8, 2015.

Note 6: Conversion of domestic corporate bonds into ordinary shares: approved by Tai-Cheng-Shang-Er-Zi No.10400134821 dated July 9, 2015.

Note 7: Cancellation of restricted employee shares: approved by Tai-Cheng-Shang-Er-Zi No.10400209671 dated October 14, 2015. Conversion of domestic corporate bonds into ordinary shares: approved by Tai-Cheng-Shang-Er-Zi No.10400206061 dated October 7, 2015.

Note 8: Cancellation of treasury stocks: approved by Tai-Cheng-Shang-Er-Zi No.10400235951 dated November 18, 2015. Cancellation of restricted employee shares: approved by Taiwan Stock Exchange Corporation on January 8, 2016. Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on January 6, 2016.

Note 9: Cancellation of restricted employee shares: approved by Taiwan Stock Exchange Corporation on April 12, 2016. Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on April 7, 2016.

Note 10: Cancellation of restricted employee shares: approved by Taiwan Stock Exchange Corporation on July 7, 2016. Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on July 1, 2016.

Note 11: Approved by Jin-Guan-Cheng-Fa-Zi No.1050009991 dated April 12, 2016.

Note 12: Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on October 4, 2016.

Note 13: Cancellation of restricted employee shares: approved by Taiwan Stock Exchange Corporation on January 13, 2017. Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on January 6, 2017. First conversion of the third domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on December 30, 2016.

Note 14: Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on April 6, 2017. Cancellation of restricted employee shares: approved by Taiwan Stock Exchange Corporation on April 14, 2017.

Note 15:Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on July 7, 2017.

Note 16:(Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on October 6, 2017.

Note 17:(Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on January 5, 2018.

Note 18:(Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on April 12, 2018.

Note 19:(Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on July 5, 2018.

Note 20: Approved by Jin-Guan-Cheng-Fa-Zi No.1070332916 dated September 7, 2018.

Note 21:(Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on February 22, 2019.

Note 22:(Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on April 8, 2019.

ii.Type of shares

As of April 14, 2019; Unit: Thousand Shares

Type of Shares	Approved Share Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Ordinary Shares	159,831	40,169	200,000	-

(2) Shareholder Structure

As of April 14, 2019;

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Corporations	Foreign Institutions and Natural Persons	Individuals	Mainland Chinese Investment	Total
Number of Persons	-	9	49	75	4,631	2	4,766
Number of Shares Held (share)	-	1,595,268	6,186,504	67,034,653	84,868,110	146,388	159,830,923
Shareholding Ratio (%)	-	1.00	3.87	41.94	53.10	0.09	100.00

(3) Dispersion of Equity Ownership

As of April 14, 2019; Unit: Shares; %; Denomination of NT$10 per share

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio
From 1 to 999	527	65,080	0.04
From 1,000 to 5,000	2,889	5,709,920	3.57
From 5,001 to 10,000	527	4,023,498	2.52
From 10,001 to 15,000	203	2,463,658	1.54
From 15,001 to 20,000	129	2,282,822	1.43
From 20,001 to 30,000	145	3,611,243	2.26
From 30,001 to 40,000	59	2,031,910	1.27
From 40,001 to 50,000	45	2,006,419	1.26
From 50,001 to 100,000	106	7,588,991	4.75
From 100,001 to 200,000	53	6,937,097	4.34
From 200,001 to 400,000	38	10,100,815	6.32
From 400,001 to 600,000	8	4,166,259	2.61
From 600,001 to 800,000	5	3,368,463	2.11
From 800,001 to 1,000,000	7	6,085,030	3.81
Greater than 1,000,000	25	99,389,718	62.17
Total	4,766	159,830,923	100.00

(4) List of Major Shareholders: Name of Top Ten Shareholders or Those with Shareholding Ratio of 5% or More, Number of Shares Held, and Shareholding Ratio

April 14, 2019;Unit: Shares; %

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank (Note 1)	22,182,009	13.88
Custodial Account (MEINDL INT’L CO., LTD.) Used by CTBC Bank(Note1)	19,760,372	12.36
Huang Wei Chieh	5,430,897	3.40
Custodial account of Yu Man Sang Used by CTBC Bank (Note 2)	4,561,617	2.85
Tsai Chi Lung	3,770,938	2.36
Custodial Account (Morgan Stanley & Co. International Limited) Used by HSBC	3,680,887	2.30
Lin Hsueh Ching	3,561,697	2.23

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Custodial Account (ASG INT'L CO., LTD.) Used by CTBC Bank (Note 1)	3,385,356	2.12
Lin Wen Chih	3,147,652	1.97
Cheng Yu Hsia	2,818,926	1.76
Total	72,300,351	45.23

Note 1: Shares are held indirectly by Lin Wen Chih, Liao Fang Chu, and Chuang Tien Ko.
Note 2: Shares are held directly by Yu Man Sang.

(5) Market Price per Share, Net Value per Share, Earnings per Share, Dividends per Share, and Related Information over the Past Two Years

Item \ Year			2017	2018	As of March 31, 2019
Market Price per Share	Highest		94.00	74.20	69.2
	Lowest		59.80	43.80	46.15
	Average		74.70	57.25	59.08
Net Value per Share	Before Distribution		42.55	43.92	46.07
	After Distribution		38.44	(Note)	-
EPS	Weighted Average Shares (thousand shares)		142,051	145,787	152,877
	EPS	Before Adjustment	5.65	5.1	1.34
		After Adjustment	5.65	5.1	1.34
Dividends per Share	Cash Dividends		4.11291284	3.68(Note)	-
	Stock Dividends	-	-	-	-
		-	-	-	-
	Accumulated Undistributed Dividends		-	-	-
ROI	Price/Earning Ratio		13.22	11.23	-
	Price/Dividend Ratio		18.22	15.56	-
	Cash Dividend Yield		5.49%	6.43%	-

Note: The distribution of earnings is yet to be resolved in the shareholders' meeting.

(6) Dividend Policy and Its Implementation

i. Dividend policy stipulated in the Company's Articles of Incorporation

According to Article 34.1 of the Company's Articles of Incorporation, the Company shall distribute dividends as follows: According to the Company Act of Cayman Islands and the Articles of Incorporation, the Company may distribute dividends of shares issued or other dividends based on the distribution of earnings resolved by the Board of Directors and in the shareholders' meeting unless rights attached to shares are otherwise stipulated; the Company may pay such dividends or other dividends using legally available funds. As the industry is deeply affected by the consumer market and economy, it is impossible to distinguish the Company's growth stage; thus, at the end of the accounting period, the Board of Directors shall draw up a proposal for the distribution of earnings as follows: (i) The Company shall first set aside net income for offsets, and shall set aside 10% of the remainder for legal capital reserve until the accumulated legal capital reserve is equivalent to the Company's total capital; (ii) the Company shall appropriate special capital reserve according to the regulations of publicly listed companies or the regulator's requirements; (iii) the Company may appropriate up to 3% of the remainder for directors' remuneration and up to 3% of the remainder for bonuses of employees of the Company and its affiliated companies; (iv) the Company may distribute the remainder to shareholders in the form of cash or stock dividends, in a combination of cash and stock dividends, or in the form of bonuses (the representative shareholder will pay the unissued shares for distribution using the remainder; such shares will be recognized paid and distributed to shareholders according to the shareholding ratio) according to the Company Act of Cayman Islands and the regulations of publicly listed companies after considering financial, business, and operational factors. The dividends distributed to shareholders shall not be less than 2% of the remainder after deducting the preceding two items; in particular, cash dividends shall not be less than 10% of all dividends in the year. Cash dividends are distributed to a round number. A sum of cash dividends less than NT$1 shall be recognized as other revenue.

ii.Proposed distribution of dividend at this shareholders' meeting:

The distribution of dividends of 2018 was approved by the Board of Directors on May 2, 2019. The distribution of cash dividends totaling NT$588,177,797 (NT$3.68 per share) to shareholders is yet to be resolved at the shareholders' Meeting in 2019.

(7) Effect of Stock Dividend Distribution Proposed at This Shareholders' Meeting on the Company's Business Performance and Earnings per Share: There is no stock dividend distribution proposed at this shareholders' meeting. Not applicable.

(8) Remuneration to Employees, Directors and Supervisors: (The Company has no supervisor)

i.Percentage or scope of remuneration to employees, directors and supervisors specified in the Company's Articles of Incorporation: See (6) 1. Dividend policy stipulated in the Company's Articles of Incorporation.

ii.The basis for estimating the amount of employees, directors, and supervisors' remuneration, for calculating the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(1) In case of major changes in the amount of distribution resolved by the Board of Directors at the end of a year, the annual expense estimated shall be adjusted according to such changes. In case of changes in the amount at the date of resolution at the shareholders' meeting, the amount shall be adjusted in the year of resolution according to the changes in accounting estimates.

(2) If the shareholders' meeting resolves to distribute employees' bonuses in the form of stock, the number of share bonuses is determined based on the amount of bonuses divided by the stock market value; the stock market value is determined based on the closing price a day prior to the shareholders' meeting (after considering the impact of ex-dividend and ex-rights).

iii. Status of remuneration distribution as approved by the Board of Directors

(1) Remuneration distributed to employees, directors, and supervisors in the form of cash or stock: On May 2, 2019, the Board of Directors proposed distributing NT$10,000,000 to employees and directors in 2018,

respectively, which was the same as the estimate in the financial statements for 2018.

(2) Ratio of employees' remuneration in the form of stock to the sum of net profit in the consolidated financial statements and total employees' remuneration: N/A, as no remuneration is distributed in the form of stock.

iv. Actual distribution of remuneration for employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized remuneration for employees, directors, and supervisors, the sum, cause, and treatment of the discrepancy shall be described: On June 8, 2018, the shareholder's meeting resolved to distribute NT$5,000 thousand to employees and directors in 2017, respectively. Employees' remuneration and directors' remuneration distributed based on the resolution at the shareholders' meeting was the same as the amounts recognized in the financial statements for 2017.

(9) Repurchase of Company’s Shares

Shares repurchased by the Company in 2017 are as follows:

December 14, 2018

Item	Buyback of Treasury Stock for the second time
Purpose of buy-back	Transfer ownership of shares to employees
Scheduled buy-back period	March 15, 2017 to April 12, 2017
Price range	NT$60~ NT$70
Type and quality of shares already bought back	Common shares 500,000 shares
Value of buy-back Shares	NT$ 32,824,000
Type and quality of shares already bought back	Common shares 500,000 shares
Value of buy-back Shares	NT$ 32,824,000
Shares volded/transferred	0 shares
Accumulated number of company shares held	500,000 shares
Ratio of total accumulated company shares held to total shares issued (%)	0.36%

2. Issuance of Corporate Bonds

(1) Outstanding or Pending Corporate Bonds

Type of Corporate Bonds	3rd Tranche of Unsecured Convertible Corporate Bonds in Taiwan	4th Tranche of Unsecured Convertible Corporate Bonds in ROC
Date of issuance (placement)	May 3, 2016	October 2, 2018
Par value	NT$100,000 per denomination	NT$100,000 per denomination
Place of issuance and transaction	Taipei Exchange	Taipei Exchange
Issuing price	NT$100,000	NT$100,600
Sum	NT$ 0.7 billion	NT$1,006 million
Interest	Coupon rate: 0%	Coupon rate: 0%
Term	3 years, mature on May 3, 2019	3 years, mature on October 2, 2021
Guarantor	N/A	N/A
Trustee	Trust Division, E.Sun Bank	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.
Underwriter	Cathay Securities Corporation	Waterland Securities Co., Ltd.
Certified Attorney	Attorney Chen, Yo-Liang, Jheding International Law Offices	Attorney Chen, Yo-Liang, Jheding International Law Offices
Certified Public Accountant	PwC Taiwan CPAs Hung Shu-Hua and Wang Yu-Chuan	PwC Taiwan CPAs Hung Shu-Hua and Wang Yu-Chuan
Method of redemption	The corporate bonds shall be redeemed by cash at the face value upon maturity except they are converted into ordinary shares of the Company according to Article 14 of these Regulations, put according to Article 23 of these Regulations, recalled in advance according to Article 22 of these Regulations, or repurchased for cancellation by the securities dealer.	The corporate bonds shall be redeemed by cash at the face value upon maturity except they are converted into ordinary shares of the Company according to Article 14 of these Regulations, put according to Article 23 of these Regulations, recalled in advance according to Article 22 of these Regulations, or repurchased for cancellation by the securities dealer.
Unredeemed principal	NT$ 0.7 billion	NT$1 billion
Provisions for redemption or advance payoff	According to Article 22 of the Regulations Governing Issuance and Conversion of Corporate Bonds, from the day following 3 months after issuance to the 40th day prior to maturity, if (1) the closing price of the Company's ordinary shares exceeds the conversion price of the Company's convertible corporate bonds by 30%, the Company may redeem the bonds within 30 business days after the above period, or (2) if the balance of convertible corporate bonds outstanding is less than 10% of the original total face value, the Company may redeem the bonds by cash at any time after the above period.	According to Article 22 of the Regulations Governing Issuance and Conversion of Corporate Bonds, from the day following 3 months after issuance to the 40th day prior to maturity, if (1) the closing price of the Company's ordinary shares exceeds the conversion price of the Company's convertible corporate bonds by 30%, the Company may redeem the bonds within 30 business days after the above period, or (2) if the balance of convertible corporate bonds outstanding is less than 10% of the original total face value, the Company may redeem the bonds by cash at any time after the above period.
Limiting provisions	None	None
Name of credit rating agency, rating date and corporate bond ratings	N/A	N/A

Type of Corporate Bonds		3rd Tranche of Unsecured Convertible Corporate Bonds in Taiwan	4th Tranche of Unsecured Convertible Corporate Bonds in ROC
Other rights	Dollar amount of common shares already converted (swapped or warranted) and overseas depository receipts or other securities as of the printing date of this annual report	As of May 2, 2019, 12,852,305 shares have been converted into ordinary shares, totaling NT$128,523,050.	As of May 2, 2019, 2,892,751 shares have been converted into ordinary shares, totaling NT$28,927,510.
	Issuance and conversion (swap or subscription) methods	Please refer to the Company's Regulations Governing the Issuance and Conversion of the Third Unsecured Convertible Corporate Bonds in Taiwan.	Please refer to the Company's Regulations Governing the Issuance and Conversion of the 4th Unsecured Convertible Corporate Bonds in ROC.
Effects that the measures for issuance and conversion, trade, or warrants may have on the potential dilution of equity and current shareholders' equity		The expiry date of this conversion Company's debt is May 3, 2019, which coincides with the period of cessation of conversion (April 14, 2019 to June 12, 2019), the 53 number of copies not converted as at the printed date of the annual report will be repaid due to maturity; so there is no dilution of the equity, no impact on shareholders' equity whatsoever.	Currently, 159,831,000 shares have been issued at the conversion price of NT$54.5 per share. If the balance of the convertible corporate bonds outstanding is converted into ordinary shares in full, 15,591 thousand shares will increase with a dilution ratio of 9.75%, showing a limited effect on current shareholders' equity.
Name of the commissioned custodian of exchangeable underlyings		None	None

(2) Information on Convertible Bonds

Unit: NT$

Type of Corporate Bonds		3rd Tranche of Unsecured Convertible Corporate Bonds in Taiwan		
Item / Year		2017	2018	As of May 2, 2019
Market price of the convertible corporate bond	Highest	174.0	136	135
	Lowest	108.0	101	99.2
	Average	133.32	120.01	118.28
Conversion price		2017.1.1 ~ 7.11: 56 2017.7.12 ~ 12.31: 53.8 (Note1)	2018.1.1 ~ 7.14: 53.8 2018.7.15 ~ 12.31: 50.2 (Note1)	2019.1.1 ~ 1.10: 50.2 2019.1.11 ~ 5.2: 49.8 (Note2)
Conversion price at the date of issuance (placement) and during issuance		Issued on May 3, 2016, the conversion price is NT$58.5 at the time of issue.		
Method for exercising conversion obligations		Issuance of new shares		

Type of Corporate Bonds		4th Tranche of Unsecured Convertible Corporate Bonds in ROC	
Item / Year		2018	As of May 2, 2019
Market price of the convertible corporate bond	Highest	108	131
	Lowest	102	105.7
	Average	104.69	116.38
Conversion price		54.5	2019.1.1 ~ 1.10: 54.5 2019.1.11 ~ 5.2: 54.1(Note2)
Conversion price at the date of issuance (placement) and during issuance		Issued on October 2, 2018, the conversion price is NT$54.5 at the time of issue.	
Method for exercising conversion obligations		Issuance of new shares	

Note 1: The conversion price was adjusted due to ex-dividends.
Note 2: The conversion price was adjusted due to capital increase by cash.

3. Preferred Stocks: None.

4. Overseas Depository Receipt: None

5. Employee Stock Warrant: None.

6. New Restricted Employee Shares

7. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.

8. Implementation of Fund Application Plans: The Company has no uncompleted public issue or private placement of securities or corporate bonds, or such issues and placements that were completed in the most recent three fiscal years but have not yet fully yielded the planned benefits.

V. Operational Highlights

1. Business Activities

(I) Scope of Business

i. Main content of the business

The Company mainly specializes in the production, sale, and distribution of sports shoes and outdoor shoes.

ii. Proportion of business of main product(service) items

Unit: Thousand Shares, %

Main product Sport Shoes	2017		2018	
	Amount	%	Amount	%
Outdoor	1,046,981	10.08	795,601	7.90
Shoes	9,137,275	87.96	9,105,053	90.42
Others (Note)	203,895	1.96	169,497	1.68
Total	10,388,151	100.00	10,070,151	100.00

Note: other refers to the agent sale of semi-finished products and Sports leisure outdoor supplies.

iii. Current product(service) items

A variety of sports shoes and outdoor shoes produced by the Company are suitable for jogging, hiking, mountain climbing, and sports activities.

iv. New products (services) to be developed

The Company's product development team serves more than 40 world-renowned sports and outdoor brands. Our shoe materials combine customers' design concept and are functional, such as water-proof, breathable, anti-slip, wear-resistant, and conductive and heat storage. Our development department develops outsoles and finds the best structure to offer high value-added shoes that meet various consumers' needs. Our functional shoes, such as GORE-TEX shoes, anti-slip boots, conductive work shoes, heat storage shoes, and iron work shoes, have delivered outstanding results, and the products developed with our customers have been awarded the best outdoor shoes in Europe.

The Company will keep track of changes in the shoe market, continue to learn and innovate, and develop a variety of recycled, reusable shoe materials as well as maintain good relationship with suppliers, so as to offer new products every year in the future. The Company's product development team has set up the technology research and development task force, the automated and semi-automated machine development task force, and the sole research and development task force to continuously improve the Company's competitiveness in the footwear industry.

(II) State of the Industry

The footwear industry is labor intensive. The global shoe manufacturing center has gone through many transfers with the cost of manufacture. The shoe manufacturing center has shifted from Italy and Spain to Japan, Taiwan, and South Korea in 1980s. In 1990s, the global OEM center for sports shoes has shifted to China, Indonesia, and Vietnam. Starting from 1996, China has become the world’s largest producer and exporter of footwear products. Taiwanese manufacturers have transformed themselves into a design and development center of shoe types and materials and a raw material/material procurement center that produces high value-added shoe types and supports overseas production. As of today, Asian countries, including China, Vietnam, India, Indonesia, and Thailand, provide more than 90% of global footwear products, making them the main production center of the footwear industry.

Taking advantage of international trends and branding capacity, European and American shoe manufacturers, on the contrary, focus on product design and development and commission Chinese manufacturers to produce shoes as OEMs and sell the shoes through their marketing network. European and American shoe manufacturers prioritize brand management and focus on value addition and marketing, so as to control the market and economic benefits.

i. Current situation and development

(a) Overview of global shoe market

Footwear products are necessities. The number of consumers increases with the population. According to Euromonitor's estimation, the annual growth rate of global footwear output is 5% ~ 10%, and the global output is expected to reach US$492 billion by 2018 with stable and positive growth.

According to the world's footwear yearbook, Asian countries accounted for 54% of global footwear consumption in 2017, followed by European countries (16%), North American countries (15%), South American and African countries (7%), and Oceania countries (1%).

According to the world's footwear yearbook, a total of 23.5 billion pairs of shoes were produced globally in 2017, among which China accounted for 57.5% with 13,523 million pairs, followed by India for 10.02% with 2,409 million pairs, Vietnam for 4% with 1,100 million pairs.

(b) Development of the shoe market in China

As mentioned above, China has become the world's largest shoe manufacturer. With the increase in the population and average income per person, the consumer market in China has expanded rapidly over the past few years. The changing population structure and increasing disposable income per person mean the increase in spending power of Chinese consumers, which promotes the development of the retail industry; this has turned export-oriented economy into consumer-oriented economy and increased the footwear consumption and demand for high-end shoes. According to Euromonitor's market survey, Chinese footwear sales reached CNY381.9 billion in 2017. By 2021, the scale is expected to reach CNY487.4 billion. (Refer to the table below)

Sales Volume of Footwear from 2013 to 2017 (Unit: CNY1 million)

	2013	2014	2015	2016	2017
Kids' Shoes	36,181.3	39,980.3	43,978.4	48,244.3	53,165.2
Men's Shoes	114,837.5	124,483.8	131,081.5	136,586.9	144,195.0
Women's Shoes	169,878.0	177,182.8	178,954.6	177,165.1	184,503.6
Total	320,896.8	341,647.0	354,014.5	361,996.2	381,863.7

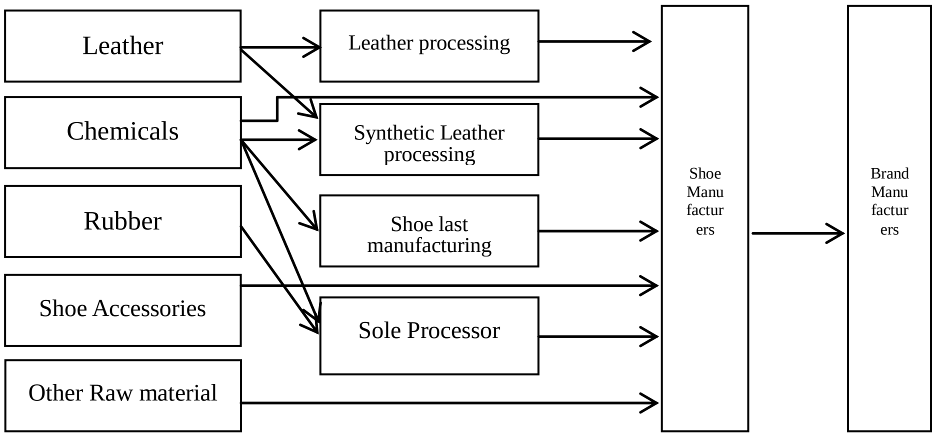
(Kids' Shoes/Men's Shoes/Women's Shoes/Total/Data Source: Euromonitor international)

The shoe manufacturers in China are currently concentrated in the following four areas: (1) Guangzhou and Dongguan, which produce mid-end and high-end sports shoes and outdoor shoes; (2) Wenzhou and Taizhou, which produce affordable shoes; (3) Chongqing and Chengdu, which produce women's shoes; (4) Fujian, Quanzhou, and Jinjiang, which produce sports shoes. In recent years, demand for sports shoes, outdoor shoes, trendy shoes, and affordable shoes have increased. Many shoe manufacturers have started to improve their capacity for technological innovation and apply flexible manufacturing technology and 3D design to personalized products. This will promote the development of trendy, quality, and affordable shoes in China. As the footwear industry is cost-sensitive, the production base is located at places with low cost instead of major consumer markets. Currently, Chinese show manufacturers have encountered difficulties, such as increases in wages under the Labor Contract Law, rental, and living standards, resulting in less room for profit. In view of this, Chinese show manufacturers have moved their production lines to countries with advantageous labor cost, local government's support, and preferential duty, such as Vietnam, Indonesia, Cambodia, and India.

ii. Correlation between upstream, midstream and downstream industries

As an OEM of sports shoes and outdoor shoes, the Company's upstream industries supply raw materials, such as rubber, leather, chemicals, such as adipic acid, and accessories, such as shoelaces. Midstream industries, such as OEMs and ODMs, make products and deliver them to downstream industries, such as brand manufacturers, for sale. The correlation between upstream, midstream and downstream industries is as follows:

Correlation between Upstream, Midstream and Downstream



Source: Industrial Development Bureau, Ministry of Economic Affairs

iii. Various product trends

(a) Green industry and production of environmentally friendly technology

For global shoe manufacturers, the most important issue is how to use materials and make shoes in line with the concept of environmental protection. Many countries have started to legislate against new environmental issues. Recycling and reuse of industrial waste and restriction against production and use of chemicals are also included in legislation. To comply with regulations pertaining to environmental protection, shoe manufacturers must take countermeasures to develop new technologies and skills, such as using new or more expensive materials for chemicals. The Company will reconfigure the manufacturing process to meet the limit of solvents, especially sole bonding and synthetic coating. Surface treatment technology will improve the performance of adhesives, further solving surface bonding issues.

(b) Application of high performance shoe materials

In addition to environmentally-friendly shoe materials that comply with regulations pertaining to environmental protection, the shoe market also requires high-performance materials to meet consumers' requirements for quality, comfort, and health care. Genetic engineering will make animals more consistent and predictable. With the development of bioengineering, authentic artificial leather may be developed. It is expected that synthetic materials will increasingly replace natural leather. At present, the focus of leather development is to make greater use of leather materials and to facilitate closer cooperation between tanneries and shoe manufacturers.

(c) Development of product aiming at intelligent shoe type

As living standards continue to increase, the demand for quality and functionality of shoes continues to increase. As high-tech products of new generation, smart shoes provide basic protection, safety, and comfort. The world's sports population has increased year by year. People exercise more in the early morning and at night, leading to the increasing demand for safety shoes. The global footwear industry is actively seeking breakthroughs in improving nighttime identification of shoes to increase safety. It is necessary to establish a technology that develops efficient, safe and smart shoes.

According to the research of KingNet, a national online hospital, in an environment below 5℃, it can easily cause skin frostbite if there is no thermal measure. For cold region activists and diabetics who are not sensitive to temperature, the development of temperature-controlled smart shoes is very important. In addition, the introduction of a comfortable structure and functional materials improves the comfort, safety, and competitiveness of smart shoes, making sporting goods and consumers' life closely connected.

(d) Process aiming at fully automated progress

With the increasing efficiency and scale of the footwear industry, shoe manufacturers have introduced advanced technologies and scaled production lines. Due to the increasingly intense competition worldwide, manufacturers are urged to integrate all aspects of production operations and various resources, so as to increase their competitiveness. As the labor-intensive footwear industry encounters increasing labor cost and decreasing human resources, automation in the manufacturing process has become of great importance. Robotic arms and automation control systems are applied to highly repetitive, action-critical processes to stabilize the quality of shoes, improve productivity and production management, and reduce cost of manufacture.

iv. Competitive situations

The sports shoes and outdoor shoes produced by the Company are world-renowned brands with high technology and added value. The Company remains competitive by working with world-renowned brands to develop and produce shoes. The Company maintains its competitiveness thanks to the following:

(a) The Company has extended production lines of renowned sports shoes and functional outdoor shoes.

(b) Different from the "mass production fewer types" and "popularity" of sports shoes, the "less production more types" and "functionality" of outdoor shoes remain the Company's niches in the stable growth of production and sales for many years. The Company distinguishes itself by mobility, flexibility, innovation, and speed.

(c) With the vertically integrated business model, the Company responds to customers' requirements quickly and immediately develops a diversity of products with a small quantity.

The Company believes that, although the footwear market competition continues to be intense competition, but the production advantages of the Company's business strategy and will enable the group to stand out in competition with industry.

(III) Overview of Technologies and R&D

i. Research and development (R&D) expenses in the most recent fiscal year and as of the printing date of this annual report

Unit: Thousand Shares

Year / Item	2017	2018	2019 Q1
R&D expenses	118,496	124,079	30,373
Consolidated net revenue	10,388,151	10,070,151	2,577,643
Ratio of R&D expenses to consolidated net revenue (%)	1.14	1.23	1.18

ii. Successfully developed technologies or products

The important results of the Company's research and development of this year are as follows:

Process	Technology	Description
Modern process technology	3-D Spraying of Robot Bottom	After spraying the glue on the big bottom of the machine arm, the glue will fit together.
	3D Spray/Brush for Robot Uppers	Upper treatment agent/glue sprayed by machine arm
	Robot roughing	Upper roughening by machine arm
	Automatic rubber hot pressing	Automatic switching die, lifting mid-plate hot-pressed rubber
	Automatic Rubber Injection Hot Pressure	Ejector + hot-press rubber two-in-one equipment, automatic switching mode, lifting mid-plate
	Automatic Template Change System Computer Car	Automatic sewing by taking the splint of the computer car from the machine arm
	Reuse of Rubber Waste	Rubber edges and corners are ground into fine powder, which can be added back to the raw material to reduce solid waste.
	Steel knife automatic cutting machine	Direct cutting using the original needle-point file without the need for a sanction knife
	Automatic Inkjet Printing	No screen printing is required. Ink is automatically sprayed on the material according to the printed file.
	Automatic Disc Printing	It only needs feeding and receiving, automatic printing, high efficiency and stable quality.
	Fully automatic single-head double-knife cutting machine	Automatic typesetting, multi-layer cutting, high production efficiency, stable quality
	Fully automatic computer numerical control automatic tool change push plate feeding cutter	Automatic typesetting, automatic take-out and release knife, multi-layer cutting, high production efficiency, stable quality
	Knife Tower Cutting Machine	Automatic typesetting, automatic take-out and release knife, multi-layer cutting, high production efficiency, stable quality
	Special rubber chipper	For the special rubber slice peeling of climbing shoes, the appearance is smooth and smooth.
	Technology of special curved back herringbone	Special climbing shoes with herringbone seam, uniform and beautiful appearance
	360 Degree Single Needle Craft with Curved Back	Bicycle sewing for special shoes
	Stereo Computer Needle Car Technology	It can be used according to the structure of shoes, sewing three-dimensional upper, easy to operate, more efficient, more beautiful appearance.
	Three-station automatic plate-changing process	One person can operate more than one version of a computer car, reduce the number of receipts and releases, operate easily and produce more efficiently.
	Machine Ring Arm with Computer Needle Car	Employees only need to put and collect materials, and the rest are handed over to the ring arm to put and take editions and sew for the computer car itself.
	Intelligent Rubber Brushing Machine	The glue is put into the rubbing bucket, the glue tank is sealed, and the glue can be used for a longer time. The staff does not need to change the glue normally.
	Automatic Fitting Process of Enclosure	Shoes are fixed on the equipment. Employees only need to hold the fence, step on the switch and fit according to the position. The operation is easy and the quality is stable.
	Automatic gluing process for upper	The amount of glue can be adjusted according to the need of gluing. It does not need hand rubbing. It is easy to control the quality.
	Automatic Intermediate Helper	The upper structure can be used to stick the last according to the position line. Do not use pliers. The operation is easy and the quality is stable.
	Automatic Recognition and Placement System	Can remind employees of operational errors, placement errors
	Rotary printing press	Employees only need to put and receive materials, and the rest is handed over to the machine ring arm to put and take plate, so that it can automatically complete printing.
	Automatic transfer insole	Employees only need to put and collect materials, and the rest are handed over to the machine ring arm to put and fetch plates, so that they can automatically complete the transfer printing.
Product craft	Stereo Hot Melting of Upper	Modern shoes emphasize lightness and beauty. Hot-melt process simplifies the process from traditional 2D to 3D upper.
	Stereo Hot Melt Edging Technology	The appearance of hot-melt rolled fabric is smoother and more beautiful than that of traditional rolled fabric.
	Fly-woven integrated shoe upper	One-in-one shoe upper is more foot-tight, lightweight and beautiful, and the pattern is flexible and customizable.
	Invisible Fit GTX (007 GTX) V2	Inheritance of a generation of internal concepts, the tongue and the body of the shoe are separated into a combination of one piece to have a better waterproof effect, reduce the manufacturing process more feet-fitting, and improve wear comfort and functionality!
	Rotary Disc Automatic Transfer Printing Technology	Substitute the sheet material and then cut it. Use the coil material to feed directly into the automatic heat transfer machine to improve the production performance.
	One-time Perforation Technology for Sandals	Punching and piercing can be completed at one time for flip-flop technology.

Process	Technology	Description
	Double Layer Hot Cutting Process	According to customer requirements, printing color can be increased in the middle of two layers of materials, wearing will not fade, increase wear resistance.
	Shock Resistance Technology	Under special circumstances, the body will not be injured by electric shock in a certain current environment.
	Motorcycle shoes	Motorcyclists can protect their feet well after wearing them.
Sole craft	Formulation technology of graphene rubber outsole	Two important characteristics of graphene are light weight and wear resistance. It is a two-dimensional carbon nano material with hexagonal honeycomb lattice. So it has good air permeability.
	Formulation Technology of TPU Foaming Medium Bottom	After blending special preparation into TPU material, foaming improves the properties of large sole and provides high elasticity, lightweight and shock absorption sole experience.
	One mold with multiple rubber outshoots.	Using new equipment to shoot out multiple double rubber outsole at one time, the production efficiency has been greatly improved.
	Vulcanized Raw Rubber Printing Technology	Factory self-made printing process to raw rubber, quality consistency is conducive to control
	Ultra-thin Rubber Large Bottom Cloth Technology	Matched fabric reduces the weight of rubber sole and provides comfort for the sole.
	Ultra-thin Raw Rubber Cloth Technology	Ultra-thin rubber laminated fabric is used for shoe head reinforcement to increase comfort and beauty.
	Automatic Rubber Peripheral Grinding Process	Instead of the traditional manual roughing method, with the use of tools combined with mechanical roughing periphery to ensure the roughing effect and depth
	Automatic Grinding Technology of Rubber Inner Kernel	Instead of traditional manual roughing, mechanical roughing is used to ensure consistency and uniformity of roughing.
	Sea Drying Environmental Protection Technology	Degradable, greatly shortening the time of waste residence on the earth
	Rubber Hot Pressing Technology of Turntable	One person can operate multiple moulds, easy to operate, high efficiency
	Rubber ejection hot-pressing process of turntable	One person can operate multiple moulds, easy to operate, high efficiency
	One die extrusion process	High productivity, no edge, stable quality
Material	TPU rubber sheet	Replacement of rubber sheet, light and wear-resistant
	Placement puncture midsole process	Work in special environment to prevent the sole of foot from being injured by sharp objects and play a protective role.

(IV) Long-term and Short-term Business Development Plans

i. Short-term business development plans

(a) Expanding the Group's capacity outside China

As outdoor sports activities grow popular worldwide, the Company will continue to expand its capacity in Vietnam and Cambodia in 2018. New production bases in Vietnam and Cambodia have been GORE-TEX certified, creating more room for improvement in both quality and quantity. In 2018, revenue in China and outside China accounted for 40% and 60%, respectively. Looking to 2019, it is positively estimated that capacity in China and outside China will account for 32% and 68%, respectively, with ongoing expansion plans in Vietnam and Cambodia.

(b) Strengthening core technology, product portfolios, and productivity

The Company has been in the footwear industry for 24 years and has developed various technologies. Fujian Sunshine Footwear Co., Ltd., Fulgent Sun Footwear Co., Ltd., Hubei Sunsmile Footwear Co., Ltd., Lin Wen Chih Sunbow Enterprises Co., Ltd., and NGOC HUNG Footwear Co., Ltd. have been GORE-TEX certified with a capacity for producing waterproof outdoor shoes. The Company has been a member of SATRA, the most authoritative British organization in the footwear industry, and its certified laboratory. Our products have long been recognized by customers and consumers. The Group's development team has set up the technology research and development task force, the automated and semi-automated machine development task force, and the sole research and development task force to continuously improve core technologies and the capacity for smart production.

ii. Long-term business development plans

(a) Strengthening industry-academia cooperation and moving toward smart production

The Company has continued to work with the academia to improve the capacity for innovation and research and development. School platforms have been built to recruit and develop talent in each field. With continuous improvements in hardware and software, the Company aims to move toward smart production through human-machine collaboration, further building smart plants that feature adaption, efficiency, and human factors engineering.

(b) Winning customers' full trust and forming reciprocal, dependent partnership

The Company's products include sports shoes, outdoor shoes, hiking shoes, casual shoes and functional shoes from world-renowned brands. Our products are sold across Europe, America, and Asia. Upholding the core values of integrity, innovation, speed, and quality and the spirit of ethics, intelligence, diligence, and sustainability, the Company will continue to develop new shoes with world-renowned brands through resilient delivery, strict quality control, and lean production, and reinforce strategic cooperation under the principle of reciprocity and dependence.

(c) Improving corporate governance and information disclosure, valuing investor relations, and fulfilling corporate social responsibility and sustainable development is the Company's goal and the momentum to better society.

By fulfilling its corporate social responsibility, the Company pursues reasonable improvement and excellent performance. The Company has strived to implement corporate governance. Performance is a top priority, while corporate governance is fundamental. In addition to emphasizing the development of business, the management will continuously improve regulations pertaining to corporate governance in a stricter manner to ensure the rights and interests of stakeholders. The Company will pay close attention to issues and trends at home and abroad and make practical adjustments; the Company will also improve the implementation of its corporate social responsibility and advance corporate governance and internal controls, so as to create value for all stakeholders and protect their rights and share operating results with all shareholders.

2.Market, Production, and Sales

(I) Market Analysis

i. Sales (providing) regions of the main products (services)

Unit: Thousand Shares, %

Sales Area \ Year		2017		2018	
		Amount	Ratio	Amount	Ratio
Domestic Sales (Note1)		856,862	8.25	755,426	7.50
Export	Asia	1,132,909	10.91	797,485	7.92
	Americas	3,040,074	29.27	3,121,661	31.00
	Europe	5,287,931	50.90	5,307,749	52.71
	Africa	5,687	0.05	11,234	0.11
	Australia	64,688	0.62	76,596	0.76
	Subtotal	9,531,289	91.75	9,314,725	92.50
Total		10,388,151	100.00	10,070,151	100.00

Note 1: Domestic sales refer to sales in China.

Note 2: Sales are calculated based on the area of shipment, which is different from the customer's location specified in the Company's financial statements.

ii. Market share

Outdoor shoes account for approximately 90% of the Company’s sales. Major customers, such as The North Face, DKL, Meindl, Salewa, La Sportiva, Vans, and Inov-8, are the leading brands of outdoor shoes. In 2018, the total output of outdoor shoes and sports shoes of the Company was approximately 12,294,000 , totaling NT$8.6 billion. The Company produces a wide range of shoes, including outdoor shoes and sports shoes. As the Company is one of the few shoes manufacturers that have skills to produce a wide range of shoes, the Company has a certain percentage of market shares in sports and outdoor shoe manufacturers worldwide.

iii. Supply and demand and growth of the future market

According to Euromonitor's estimation, the annual growth rate of global footwear output is 5% to 10%, and the global output is expected to reach US$492 billion by 2018 with stable and positive growth. At present, major shoe manufacturers in the world are China, India, Vietnam, Brazil and Indonesia. Having a large population, China and India provide a wealth of human resources in the footwear industry and also have huge demand for shoes; with foreign investments and economies of scale, China and India remain the world's top shoe manufacturers. In 2016, China and India produced 13.1 billion pairs and 2.257 billion pairs of shoes, respectively. As global demand for shoes and production technology continue to grow, the global footwear output is expected to increase year by year.

iv. Competitive niches

(a) Wealth of production lines, market diversification, and low idle rate

The Company's products include sports shoes, outdoor shoes, hiking shoes, casual shoes and functional shoes from world-renowned brands, and we serve as

OEM for more than 40 brands. Our products are sold across Europe, America, and Asia. Orders are evenly distributed throughout the year.

(b) Economies of scale and control of production process

Our customers are Chinese and international brands of sports shoes and outdoor shoes. Compared with regional brands, they have higher requirements for the quantity, delivery, and quality of products. Having been in the industry for more than a decade, the Company has production bases in China, Vietnam, and Cambodia. In 2017, the Company produced 12,702,000 shoes. Our manufacturing process has been approved by ISO 9001, GB/T 19001, SATRA, GORE-TEX and SURROUND. Based on the policy of lean production, the Company reduces inventories to improve productivity in line with the international standards.

(c) Customers of the group OEM are the first brands at home and abroad

Our customers are the leading brands of sports shoes and outdoor shoes in terms of market share and technology, making our sports shoes and outdoor shoes competitive and grow significantly. This further reinforces the Company' strength among OEMs in the footwear industry.

(d) Group's cost-competitive advantage

As the footwear industry is labor intensive, labor cost is one of the important aspects in the cost structure. The production bases of the Company are located in China and Vietnam, which have a wealth of human resources and low labor cost. In view of increasing wages in China and Vietnam in recent years, the Company established Lin Wen Chih Sunbow Enterprises Co., Ltd. in Cambodia, which has a wealth of human resources and low labor cost, in 2013 to reduce cost of manufacture.

v. Favorable and unfavorable factors of the development prospect and the corresponding measures

(a) Favorable factors of the development prospect

①Rise of China and other emerging markets

In recent years, China, India, and Russia have shown the rapid economic development and increasing population and income. According to the statistics provided by National Bureau of Statistics of People's Republic of China, the growth rate of GDP was 6.9% in 2017. With economic recovery in Europe and America and increasingly growing economy of China and other emerging markets, future consumption is expected to grow. According to the 13th Five-year Plan for the Development of Sports Industry published by General Administration of Sport of China in May 2016, by 2020, the total scale of China's sports industry will exceed CNY3 trillion, accounting for 1% of China's GDP; the added value of the sports service industry will account for more than 30%; sports spending will account for more than 2.5% of disposable income per capita.

②Increasing awareness and population of sports activities worldwide

In recent years, people's consumption patterns and ideas have changed with improved living standards. More and more people have started to value sports activities and tourism. The increasing awareness of sports activities worldwide further promotes the expansion of the global sports industry. Demand for fitness and entertainment, competitive sports watching, and sporting goods is growing. In the U.S., the sports industry accounts for 3% to 7% of its GDP. Recently, the annual output value is close to US$450 billion to US$500 billion. Industries featuring fitness and entertainment are ranked top 3 in terms of output value in the U.S. The output value of the sports industry in other countries, such as the U.K., France, Germany, and Japan, also accounts for 1% to 3% of GDP. The output value of the sports industry in Switzerland even accounts for 3.37% of its GDP. The sports industry has also become the main growth point of the national economy in major Western countries.

③ Government support for the sports industry

In recent years, governments of various countries has formulated relevant support policies for the sports industry. The U.S., the U.K., Japan, Spain, and Russia have provided athletes and professional groups or companies building sports facilities considerable tax preferences. As to China, which has gradually become the world's leading consumer of shoes, according to the 13th Five-year Plan for the Development of Sports Industry published by General Administration of Sport of China in May 2016, by 2020, the total scale of China's sports industry will exceed CNY3 trillion; the added value of the sports service industry will account for more than 30%; sports spending will account for more than 2.5% of disposable income per capita. China expects to drive economy through the sports industry, continuously improve the scale and quality of the sports industry, and increase sports spending.

(b) Unfavorable factors of the development prospect

①Continuous increase in labor cost

In the labor-intensive footwear industry, the Company requires a lot of human resources during production. In recent years, the increase in wages has caused the significant increase in cost of manufacture, especially for coastal cities in China; in addition, as China enforces the Labor Contract Law, labor cost, along with wages, has increased significantly, such as benefits and pensions, therefore offsetting revenue and profit.

Response measures:

A. The Company has moved production bases to places with low labor cost. For example, the Company has expanded the production line and capacity of Fulgent Sun Footwear Co., Ltd. and Lin Wen Chih Sunbow Enterprises Co., Ltd. and implemented lean production to improve productivity and reduce cost of manufacture.

B. Fujian Sunshine Footwear Co., Ltd. and Sunny Footwear Co., Ltd. with higher labor cost have undertaken to produce mid-end and high-end, value-added shoes with higher prices and increase the unit prices, so as to maintain a certain percentage of gross margin and profit with increases in labor cost and cost of manufacture.

C. The Company has modified its manufacturing process by introducing semi-automated machines, such as Orile, high-frequency hot cutting machines, RB hot press, 360 degree UV machines, automatic weighing machines, EVA automatic grinding machines, roughing robots, gluing robots, applying robots, and outsole rubber spraying robots, to reduce labor cost and cost of manufacture.

D. The Company pursues the agency of world-renowned brands of sports shoes and clothes using its existing resources and advantages, which drives revenue and profit and reinforces the growth and diversity of the Company's future operation.

E. The Company implements the policy of lean production to reduce unnecessary waste of raw materials during production and integrate production points on the production line, so as to align productivity and reduce unnecessary work-in-process inventories. The Company also arranges or adjusts workers at production points appropriately to reduce waste of human resources. The aforementioned measures can improve the Company's productivity and reduce cost of manufacture.

② Intensive competition and fast elimination in the footwear industry

With the expansion of sporting goods, competition has become increasingly intense. In addition to world-renowned brands, Chinese sporting goods manufacturers have emerged in recent years, offering a variety of new products in line with consumers' ever-changing preferences. A manufacturer only can produces hundreds of or thousands of shoe types. If manufacturers fail to respond immediately to market changes or develop leading products, they are highly likely to be eliminated.

Response measures:

A. The Company increases the number and type of high-end, high value-added brand shoes and develops world-renowned brands at home and abroad to maintain its market share and reduce the significant influence of a single brand on the Company's operation.

B. With improved manufacturing process and production technology and innovation, the Company adjusts the manufacturing process quickly according to customers' requirements. The Company also adopts the policy of lean production to improve productivity and reduce waste, offering the output sufficient for new customers and existing orders.

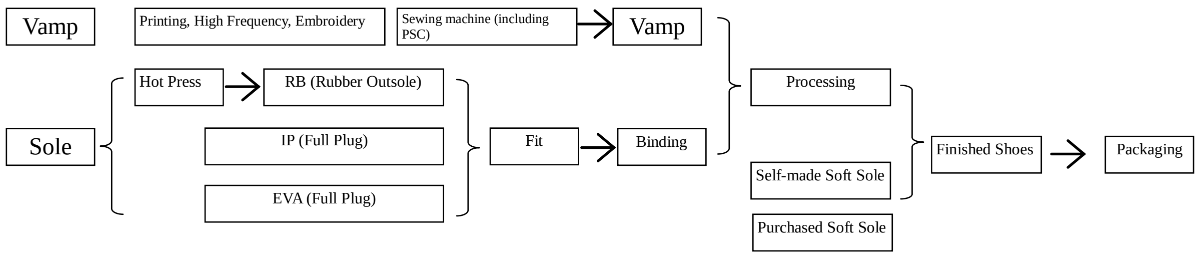
(II) Major Uses and Production Process of Main products

i. Major uses of main products

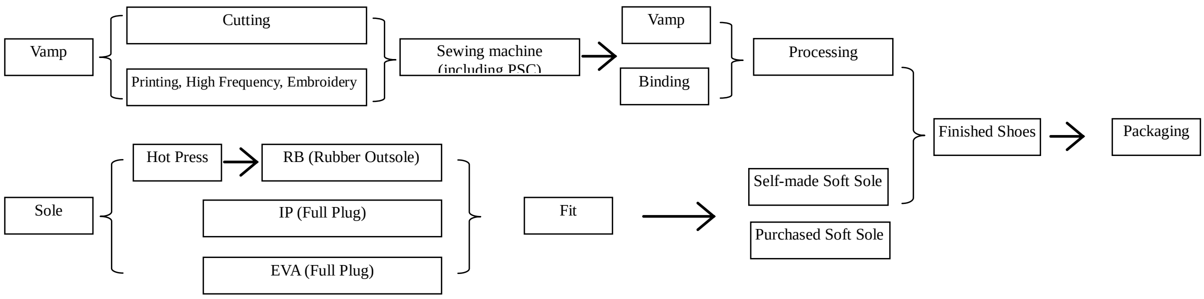
Main Product	Main functions and uses
Outdoor Shoes	Suitable for mountain climbing, snow walking, or medical correction.
Sport Shoes	Suitable for jogging and hiking. Those with vulcanized soles and vamps are suitable for leisure activities.

ii. Production processes of main products

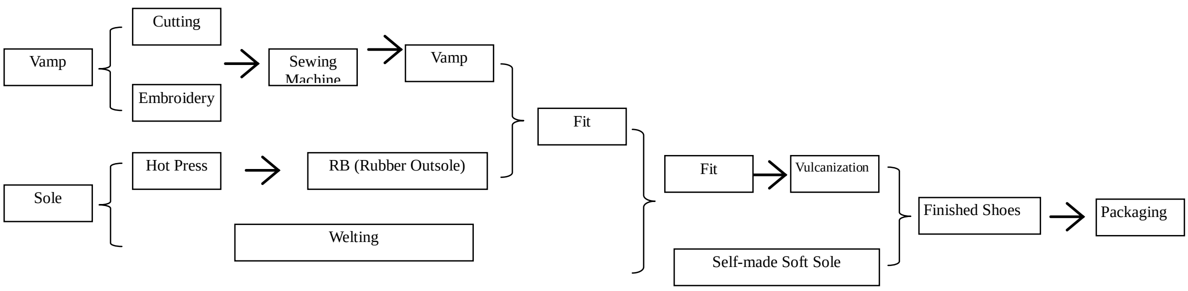
Outdoor Shoes



Sport Shoes



Vulcanized Shoes



(III) Supply of Main Raw Materials

Main Raw Material	Main Source of Supply	Ratio of Main Raw Material to Total Purchases (%)	Supply condition
Textiles and Foam	Europe and Asia	41.44	Stable
Sole Materials and Semi-finished Products	Asia	18.65	Stable
Leather and Leatherette	Europe and Asia	12.30	Stable
Shoelaces, Eyelets and Accessories	Asia	8.24	Stable

Note: Data for 2018

(IV) List of Major Customers

i. List of vendors that accounted for more than 10% of total purchases within any one of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio:

The Company's vendors disperse. There was no vendor that accounted for more than 10% of total purchases within any one of the last two years.

ii. List of customers that accounted for more than 10% of total sales within any one of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ration:

Unit: NT$1,000

Item	2017				2018				As of 2019 Q1			
	Name	Amount	Ratio of Sales to Net Sales throughout the Year (%)	Relationship with Issuer	Name	Amount	Ratio of Sales to Net Sales throughout the Year (%)	Relationship with Issuer	Name	Amount	Ratio of Sales to Net Sales in the Year up to the Previous Quarter (%)	Relationship with Issuer
1	A	1,947,026	18.74	None	A	1,640,527	16.29	None	C	496,448	19.26	None
2	B	1,070,156	10.30	None	B	1,290,287	12.81	None	D	274,966	10.67	None
3	-	-	-	-	C	1,104,294	10.97	None	E	260,878	10.12	None
4	-	-	-	-	D	1,003,473	9.96	None		-	-	-
	Others	7,370,969	70.96	-	Others	5,031,570	49.97	-	Others	1,545,351	59.95	-
	Net Sales	10,388,151	100.00	-	Net Sales	10,070,151	100.00	-	Net Sales	2,577,643	100.00	-

Explanation for any changes:

The Company's major customers are world-renowned brands. In recent years, the Company has actively developed more outdoor brands in addition to maintaining cooperation with existing European and American brands. Except for few customers that changed their needs or strategies, the Company has maintained good cooperation with most customers. The changes in customers are described as follows:

(a) Customer A: Overall, the Company's research and development team has maintained high cooperation with Customer A and provided support and recommendations for the need of shoes. With highly recognized quality, the Company's orders have continued to grow. As of 2018, Customer A has been the Company's largest customer.

(b) Customer B: The Company's products have been highly recognized in the market. The Company has maintained good cooperation with Customer B. Revenue in 2018 increased compared to 2017.

(c) Customer C: in 2018, our Company's sales to C customer increased, mainly due to the increase in customer market demand in 2018, resulting in an increase in the sales volume of the customer market.

(d) Customer D: the relationship with D customer is stable and normal, and revenue has increased slightly over the past year.

(V) Production in the last two years

Unit: NT$1,000; 1,000 Pairs

Year / Main Product	2017			2018		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Sport Shoes	2,700	2,373	810,512	2,250	2,103	711,393
Outdoor Shoes	11,000	10,329	7,278,916	12,750	11,191	7,809,607
Others	-	-	143,994	-	-	126,869
Total	13,700	12,702	8,233,422	15,000	13,294	8,647,869

Note: Others include distribution of shoe materials, clothes, and sporting goods. (For semi-finished products, only production value is displayed.)

(VI) Sales in the last two years

Unit: NT$1,000; 1,000 Pairs

Year / Main Product	2017				2018			
	Domestic Sales (Note3)		Export		Domestic Sales (Note3)		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Sport Shoes	357	143,206	2,136	903,775	200	91,995	1,783	703,606
Outdoor Shoes	1,014	660,801	9,440	8,476,474	898	581,479	9,865	8,523,574
Others (Note 1)	-	52,854	-	151,041	-	81,952	-	87,545
Total	1,371	856,861	11,576	9,531,290	1,098	755,426	11,648	9,314,725

Note1: Others include distribution of shoe materials, clothes, and sporting goods. (For semi-finished products, only value is displayed.)

Note2: Sales are calculated based on the area of shipment, which is different from the customer's location specified in the Company's financial statements.

Note3: Domestic sales refer to sales in China.

3. Human Resources

The number of employees, average service age, average age and academic distribution ratio in the last two years and as of the annual report date:

Unit: Person, Year

Year		2017	2018	As of March 31, 2019
Number of Employees	Management	499	606	443
	Production Line	17,496	19,208	18,953
	General Employees	3,380	3,869	3,840
	Total	21,375	23,683	23,236
Average Age		32.41	33.19	33.62
Average Year of Services		3.11	3.46	3.42
Education Ratio	PhD	1	-	-
	Master	19	20	18
	Bachelor or Equivalent	447	458	486
	Senior High School	4,393	6,583	6,397
	Below Senior High	16,515	16,622	16,335

4. Disbursements for Environmental Protection

Total losses (including fines) and penalties for environmental pollution, countermeasures (including corrective measures), and possible expenditures (including estimated losses, penalties, and Remunerations for not taking any countermeasure) for the most recent year and as of the printing date of this annual report: None.

5. Labor Relations

(I) Employee Benefits, Continuing Education, Training, Retirement System and its Implementation, Agreements between the Employer and Employees, and Protection of Employees’ Rights and Interests:

i. Employee benefits

(1) The Company develops and promotes employees in a timely manner.
(2) Employees have annual leaves every year.
(3) Employees' performance is evaluated and awarded every year.
(4) During employment, employees are eligible to annual health examinations.
(5) Employees with outstanding performance in production are awarded.
(6) The Company pays social insurance for employees according to China's laws and regulations on a regular basis.
(7) Dormitories, sports venues, and cultural activity centers are built inside the production base to provide employees a comfortable and pleasant environment for both work and life.

ii. Continuing education and training

The Company offers new employees orientation on plant regulations, safety rules, environmental protection, and 5S (Sort, Set In Order, Shine, Standardize, Sustain) twice every week. Training programs on skills and safety management are also provided for existing employees and supervisors. Personal development plans are also made to improve employees' overall competency on a regular basis. Lecturers from consulting firms and professors are also engaged to teach supervisors and employees lean production; in addition, internal or external training courses are also provided for full-time employees as needed. The Company also assigns supervisors to participate in training courses on a regular basis to improve their personal quality and work skills. Results of training in 2018 are as follows:

Title of Course	Number of Session	Number of trainee	Total Hours
H-five Training (Managerial Level)	3	151	3,624
New Employee Orientation (Plant Regulations, 5S, HSE, and 3-level Safety Education)	13	1,151	59,852
Head Office's Head New Employee Orientation (Corporate Cultures and Products)	12	178	2,136
Site Manager Training (New Assistants)	7	25	175
Total	35	1,505	65,787

iii. Retirement system and its implementation

The primary business location of the Company is located in China. According to the laws thereof, a monthly amount will be set aside and forwarded to the local bureau of labor and social security to pay for five funds related to employee retirement and insurance. Once an employee reaches the legal age of retirement, he/she may apply to the bureau of labor and social security for retirement pension. The Company also refers to local government regulations to provide retirement benefits for employees who reach the legal age of retirement.

Fulgent Sun Footwear Co., Ltd. and NGOC HUNG Footwear Co., Ltd. are the Company's subsidiaries registered according to the law of Vietnam. According to relevant laws of Vietnam, the Company has set aside 21.5% of an employee's base pay monthly and forwarded it to the local bureau of labor and social security to pay for social security, medical insurance, and unemployment insurance. Once an employee reaches the legal age of retirement, he/she may apply to the bureau of labor and social security for retirement pension.

The Company also refers to regulations of Vietnam to provide retirement benefits for employees who reach the legal age of retirement. Capital Concord Enterprises Limited Taiwan Branch (H.K.) is a branch of Capital Concord Enterprises Limited established in Taiwan. The Company has set up the retirement system according to the Labor Standards Act and appropriated 6% of an employee's monthly wage to the employee's personal pension account.

iv. Agreements between the employer and employees, and protection of employees' rights and interests

The Company always values the rights and interests of employees and communicates with employees at any time to achieve people-oriented management. Employees are welcome to give feedback in meetings or by E-mail or mail at any time to facilitate labor communication. The Company maintains good labor communication and takes measures according to related laws and regulations. Since incorporation, the Company has not been punished by the regulator in charge of labor.

v. Protective measures for work environment and employees' personal safety

The Company provides employees health examinations on a regular basis to improve their awareness of health status. In the operating environment, all new employees are required to receive safety and health training; those operating special machines and equipment are required to receive special safety training. In special workplaces, employees shall wear personal protective equipment correctly. In the operating environment which may generate dust or organic solvent steam, employees shall wear a mask. In a noisy environment, employees shall wear earplugs. Other preventive measures taken in production bases included the installation of speed bumps, ventilation systems, silencers, and mechanical safety devices.

A. Unit or person in charge of environmental, health, and safety management:
The occupational health management department monitors the warnings and notices of occupational diseases and hazards regularly or from time to time, and examines whether warning signs are clean and legible every six months. If warning signs are found damaged, deformed, or faded, they shall be repaired or replaced immediately. Each workshop shall identify occupational diseases and hazards based on the requirements of the Warning Signs for Occupational Hazards in the Workplace (GBZ158) and report warning signs required for the operation to the authority in charge of occupational health management; after reviewing and approving the warning signs reported by each workshop, the authority in charge of occupational health management will purchase the qualified warning signs to ensure the implementation of the warning and notification system.

B. Safety and health management systems and measures:

(a). Occupational health training system The occupational health management department shall work with the employee training department to ask for opinions on occupational health training according to laws and regulations and needs of positions, make and implement the occupational health training plan, and ensure the provision of training resources. The department shall also keep records of training and create training files, classify training, and evaluate the results of training for future improvement.

(b). Maintenance system for occupational disease and hazard protective facilities

(1)The occupational health management department shall examine the occupational disease and hazard protective facilities every month; departments of use shall examine the protective facilities every week; workers on duty shall record the operation of the facilities every day.

(2)The occupational health management department shall work with the equipment management department to make and implement the maintenance plan for occupational disease and hazard protective facilities based on the needs of departments, frequently examine the daily use, maintenance, and repair of the protective facilities, and keep related records.

(3)The equipment management department is responsible to repair the occupational disease and hazard protective facilities. When finding any malfunction, departments of use shall cut off the power and report to the equipment management department immediately. They are not allowed to repair the facilities or proceed with production without permission.

(4)After the occupational disease and hazard protective facilities are repaired, the repair department shall clean up the site and confirm that the facilities are up to scratch before handing them over to the departments of use with both parties' signatures affixed.

(5) The occupational disease and hazard protective facilities at each workshop or department shall be maintained by a designated person, and a related record shall be kept every day.

(II) Losses Arising from Labor Disputes in the Most Recent Year and As of the Printing Date of This Annual Report, Potential Losses at Present and in the Future, and Countermeasures: None.

6. Important Contracts

Existing important contracts of the Group at main places of operation are as follows:

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Provision
Medium-term Loan Contract	CTBC Bank - Taiwan Branch	2019/1/31 ~ 2021/1/31	Line of credit NT$100,000,000	None
Short-term Loan Contract	CTBC Bank - Taiwan Branch	2019/1/31 ~ 2020/1/31	Line of credit NT$265,000,000 (10 million performance guarantee amount included)	None
Short-term Loan Contract	Fubon Bank - Taiwan Branch	2018/5/3 ~ 2019/5/3	Line of credit NT$100,000,000	None
Short-term Loan Contract	First Bank - Taiwan Branch	2018/5/18 ~ 2019/5/18	Line of credit NT$300,000,000	None
Short-term Loan Contract	Bank of Taiwan - Taiwan Branch	2019/4/15 ~ 2020/4/15	Line of credit NT$150,000,000	None
Short-term Loan Contract	KGI Bank - Taiwan Branch	2018/8/31 ~ 2019/8/31	Line of credit NT$150,000,000	None
Short-term Loan Contract	KGI Bank - Taiwan Branch	2018/8/31 ~ 2019/8/31	Line of credit NT$200,000,000	Real estate setting
Short-term Loan Contract	Mega International Commercial Bank - Taiwan Branch	2019/1/14 ~ 2020/5/13	Line of credit NT$100,000,000	None
Short-term Loan Contract	HSBC - Taiwan Branch	2018/4/24-2019/7/8	Line of credit NT$100,000,000	None
Short-term Loan Contract	Cathay United Bank - Taiwan Branch	2018/7/20 ~ 2019/7/20	Line of credit NT$150,000,000	None
Short-term Loan Contract	Citi Bank - Taiwan Branch	2019/3/14-2020/3/14	Line of credit NT$300,000,000	Combined with USD USD20.5 M.
Short-term Loan Contract	Mega Bills - Taiwan Branch	2018/07/25-2019/07/24	Line of credit NT$100,000,000	None
Bills of Exchange Contract	CTBC Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2019/1/31 ~ 2020/1/31	Line of credit US$3,000,000	None
Bills of Exchange Contract	Fubon Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2018/5/3 ~ 2019/5/3	Line of credit US$3,000,000	None
Bills of Exchange Contract	First Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2018/5/18 ~ 2019/5/18	Line of credit US$3,000,000	None
Bills of Exchange Contract	Bank of Taiwan - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2017/6/12 ~ 2019/6/11	Line of credit US$3,000,000	None
Bills of Exchange Contract	Mega International Commercial Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2018/7/14 ~ 2019/7/13	Line of credit US$1,100,000	None
Bills of Exchange Contract	Cathay United Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.) and Capital Concord Enterprises Limited	2018/7/20 ~ 2019/7/20	Line of credit US$3,100,000	None
Short-term Loan Contract	First Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2018/5/18 ~ 2019/5/18	Line of credit US$11,000,000	None
Short-term Loan Contract	Fubon Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2018/5/3 ~ 2019/5/3	Line of credit US$5,000,000	None
Short-term Loan Contract	Citi Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2019/3/14 ~ 2020/3/14	Line of credit US$20,500,000	Control with TWD limit
Short-term Loan Contract	Mega International Commercial Bank - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2019/1/14 ~ 2020/5/13	Line of credit US$1,500,000	None
Short-term Loan Contract	HSBC - Capital Concord Enterprises Limited Taiwan Branch (H.K.)	2018/4/24 ~ 2019/7/8	Line of credit US$6,000,000	None

VI. Financial Highlights

1. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent Five Years

(1) Condensed Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Information for the Most Recent Five Years (Note 1)					As of March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Current Assets		4,150,371	3,889,530	4,326,740	4,673,674	5,603,994	5,718,070
Property, Plant and Equipment		3,876,268	4,501,982	4,279,201	4,319,269	4,930,269	5,213,173
Intangible Assets		57,363	30,316	25,094	18,581	16,970	16,498
Other Assets		535,950	451,275	429,317	405,757	572,435	855,310
Total Assets		8,619,952	8,873,103	9,060,352	9,417,281	11,123,668	11,803,051
Current Liabilities	Before Distribution	2,479,661	3,095,238	2,366,791	2,835,410	3,374,578	3,147,762
	After Distribution	2,806,943	3,360,893	2,823,620	3,434,964	(Note2)	-
Non-current Liabilities		476,962	263,121	989,902	338,238	1,211,474	1,293,090
Total Liabilities	Before Distribution	2,956,623	3,358,359	3,356,693	3,173,648	4,586,052	4,440,852
	After Distribution	3,283,905	3,624,014	3,813,522	3,773,202	(Note2)	-
Equity Attributable to Owners of Parent Company		5,578,717	5,476,211	5,667,696	6,199,873	6,499,340	7,323,982
Share Capital		1,293,433	1,326,983	1,380,954	1,461,973	1,528,621	1,589,915
Capital Surplus		2,711,821	2,792,288	2,990,516	3,336,445	3,377,120	3,818,944
Retained Earnings	Before Distribution	1,316,603	1,104,718	1,541,325	1,880,413	2,014,140	2,219,446
	After Distribution	989,321	839,063	1,084,496	1,280,859	(Note2)	-
Other Equity		256,860	252,222	(245,099)	(446,134)	(420,541)	(304,323)
Treasury Stocks		-	-	-	(32,824)	-	-
Non-controlling Interests		84,612	38,533	35,963	43,760	38,276	38,217
Total Equity	Before Distribution	5,663,329	5,514,744	5,703,659	6,243,633	6,537,616	7,362,199
	After Distribution	5,336,047	5,249,089	5,246,830	5,644,079	(Note2)	-

Note 1: Financial information above has been audited and attested by the CPAs.
Note 2: The distribution of earnings is yet to be resolved at the shareholders' meeting.

(2) Condensed Statement of Comprehensive Income

Unit: NT$1,000

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)					As of March 31, 2019 (Note 1)
	2014	2015	2016	2017	2018	
Operating Revenue	8,524,597	9,045,958	9,079,845	10,388,151	10,070,151	2,577,643
Gross Profit from Operations	1,363,729	1,175,459	1,633,320	2,055,143	1,813,019	505,836
Operating Income	475,998	205,990	697,979	1,130,850	834,388	262,369
Non-operating Income and Expenses	36,146	87,819	202,036	(111,027)	95,434	(18,754)
Income before Tax	512,144	293,809	900,015	1,019,823	929,822	243,615
Income from Continuing Operations	388,643	108,810	693,476	796,003	737,286	204,767
Net Income (Loss)	388,643	108,810	693,476	796,003	737,286	204,767
Other Comprehensive Income (Income after Tax)	223,139	(9,443)	(503,650)	(203,185)	26,246	116,698
Total Comprehensive Income	611,782	99,367	189,826	592,818	763,532	321,465
Net Income Attributable to Owners of Parent Company	387,291	115,397	702,262	803,113	743,001	205,306
Net Income Attributable to Non-controlling Interests Comprehensive	1,352	(6,587)	(8,786)	(7,110)	(5,715)	(539)
Income Attributable to Owners of Parent Company	607,985	98,760	200,455	601,347	769,016	321,524
Total Comprehensive Income Attributable to Non-controlling Interests	3,797	607	(10,629)	(8,529)	(5,484)	(59)
EPS	3.19	0.88	5.23	5.65	5.1	1.34

Note 1: Financial information above has been audited and attested by the CPAs.

(3)Names of CPAs and Audit Opinion for the Most Recent Five Years

Year	CPA	Name of Accounting Firm	Audit Opinion
2014	Liang Hua-Ling and Hung Shu-Hua	PwC Taiwan	Unqualified - modified wording
2015	Hung Shu-Hua and Wang Yu-Chuan	PwC Taiwan	Unqualified - modified wording
2016	Hung Shu-Hua and Wang Yu-Chuan	PwC Taiwan	Unqualified - modified wording
2017	Hung Shu-Hua and Wang Yu-Chuan	PwC Taiwan	Unqualified - modified wording
2018	Hung Shu-Hua and Wang Yu-Chuan	PwC Taiwan	Unqualified - modified wording

2. Financial Analysis for the Most Recent Five Years

Item (Note2) \ Year		Financial Information for the Most Recent Five Years (Note 1)					Financial data as of March 31, 2019
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debt-asset Ratio	34.30	37.85	37.05	33.70	41.23	37.62
	Ratio of Long-term Capital to Property, Plant and Equipment	148.42	122.50	156.42	152.38	157.17	166.03
Solvency (%)	Current Ratio	167.38	125.66	182.81	164.83	166.07	181.66
	Quick Ratio	85.57	64.61	108.50	108.74	108.54	107.73
	Interest Coverage Ratio	2,426.87	1,490.15	5,067.79	6,713.21	4,160.71	3,076.72
Operation Ability	Receivables Turnover Rate (Times)	8.40	7.52	7.22	6.36	5.01	5.29
	Average Collection Days	43	49	51	57	73	69
	Inventory Turnover Rate (Times)	3.76	4.02	4.02	4.92	4.66	3.86
	Payables Turnover Rate (Times)	9.72	9.92	9.89	10.04	8.61	7.61
	Average Days for Sale	97	91	91	74	78	95
	Property, Plant and Equipment Turnover Rate (Times)	2.33	2.16	2.07	2.42	2.18	2.03
	Total Asset Turnover Rate (Times)	1.05	1.03	1.01	1.12	0.98	0.90
Profitability	Return on Assets (%)	5.01	1.44	7.90	8.75	7.36	7.37
	Return on Equity (%)	7.35	1.95	12.36	13.33	11.54	11.79
	Ratio of Income before Tax to Paid-in Capital (%)	39.60	22.14	65.17	69.76	63.57	61.29
	Net Profit Margin (%)	4.56	1.20	7.64	7.66	7.32	7.94
	Earnings per Share (NTD)	3.19	0.88	5.23	5.65	5.10	1.34
Cash Flow	Cash Flow Ratio (%)	19.94	32.27	52.11	33.78	25.86	12.22
	Cash Flow Adequacy Ratio(%)	38.40	51.47	75.72	70.62	72.56	74.21
	Cash Flow Reinvestment Ratio (%)	3.28	8.65	10.81	5.50	2.58	3.50
Leverage	Operating Leverage	2.78	6.31	2.59	1.95	2.32	2.05
	Financial Leverage	1.05	1.11	1.03	1.01	1.03	1.03

The reasons why the financial ratios have changed more than 20% in the last two years are as follows:
1. Debt-Asset Ratio: On October 2, 2018, the main company issued the 4th domestic unsecured convertible corporate bond amounting to 1,000,000,000, resulting in a significant increase in debt over the previous year.
2. Interest Coverage Ratio: In 2018, the allocation of production capacity in the factory area is relatively conservative because the allocation of production capacity is not perfect, and the new production still has to face the cost of learning curve directly, so the overall profit declines.
3. Receivables Turnover Rate: The main reason is that in 2018, due to the designated delivery date and shipping schedule of brand customers, the revenue is obviously concentrated in December, and the accounts have not yet been collected during the credit period.
4. Cash Flow Ratio: In 2018, the net cash flow of business activities decreased, mainly due to the increase in inventory due to the peak shipment period in December and January next year.
5. Cash Flow Reinvestment Ratio: mainly due to the increase of accounts receivable and cash dividend in 2018 compared with last year.

Note 1: Financial information above has been audited and attested (verified and reviewed) by the CPAs.
Note 2: The calculation formulas are as follows:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.

2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.

3. Operating ability
   (1) Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) Turnover Rate = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) for Each Period.
   (2) Average Collection Days = 365 / Receivables Turnover Rate.
   (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
   (4) Payables (including Accounts Payable and Notes Payable Arising from Operations) Turnover Rate = Net Sales / Average Payables (including Accounts Payable and Notes Payable Arising from Operations) for Each Period.
   (5) Average Days for Sale = 365 / Inventory Turnover Rate.
   (6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Property, Plant and Equipment.
   (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.

4. Profitability
   (1) Return on Assets = [Net Income + Interest Expenses (1- Tax Rate)] / Average Total Assets.
   (2) Return on Equity = Net Income / Average Total Equity.
   (3) Net Profit Margin = Net Income / Net Sales.
   (4) Earnings per Share = (Income Attributable to Owners of Parent Company – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued.

5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
   (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Additions + Cash Dividends) for the Most Recent Five Years.
   (3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital).

6. Leverage
   (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.
   (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

3. Audit Committee's Review Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's business report, consolidated financial statements and proposal for the distribution of earnings for the year of 2018. CPAs Hung Shu-Hua and Wang Yu-Chuan of PwC Taiwan have audited the said consolidated financial statements and prepared the audit report with unqualified opinions.

The Audit Committee has duly reviewed the aforementioned business report, consolidated financial statements and proposal for the distribution of earnings and found the same to be true and correct. The Audit Committee hereby submits this report for verification.

To

Shareholders' Meeting in 2019 Fulgent Sun International (Holding) Co., Ltd.

Convener of the Audit Committee: Chang Kun Hsien

March 8, 2019

4. Financial Statements for the Most Recent Year

Audit Report of Independent Accountants

To the Board of Directors and Shareholders of Fulgent Sun International (Holding) Co., Ltd.

Audit Opinion

We have audited the consolidated balance sheets for the years as of December 31 of 2018 and 2017, as well as the consolidated income statements, consolidated statements of changes in equity, consolidated cash flow statements and notes to the consolidated financial statements (including summary of significant accounting policies) for the years then ended of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (hereinafter referred to as Fulgent Sun Group).

In our opinion, all the significant aspects of the abovementioned consolidated financial statements have been established in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations recognized by the Financial Supervisory Commission. Therefore, they sufficiently express the consolidated financial status of Fulgent Sun Group on the years as of December 31 of 2018 and 2017 and the Group's consolidated financial performance and consolidated financial flow for the years then ended.

Basis for Opinions

We have performed the auditing work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired sufficient and appropriate audit evidence to serve as the basis of our opinion.

Key Audit Matters

"Key audit matters" refer to those matters that, in our professional judgements, were of most significance in our audit of the consolidated financial statements of Fulgent Sun Group for 2018. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; hence, we do not express separate opinions on these matters.

Key audit matters of the consolidated financial statements of Fulgent Sun Group for 2018 are as follows:

Sales Revenue Recognition

<u>Matter Description</u>

Refer to Note 4 (27) of the consolidated financial statements for the accounting policy on sales revenue. The revenue of Fulgent Sun Group from January 1 to December 31, 2018 was NT$10,070,151 thousand.

Fulgent Sun Group produces and sells sports and outdoor shoes. When export goods are delivered to the forwarders designated by customers, the control of the goods transferred, and sales revenue will be recognized on the delivery date of the export goods.

Fulgent Sun Group recognizes sales revenue on the delivery date of the export goods. As the process of recognition involves manual controls, which may result in the incorrect period of recognition of sales revenue. Therefore, we have identified the time of sales revenue recognition as a key audit matter for the year.

Corresponding Audit Procedures

The corresponding audit procedures we took for the specific aspects described in the above key audit matter are as follows:

1. Reviewed the procedures for sales transactions and internal control to evaluate whether the management controlled the time of sales revenue recognition effectively.

2. Evaluated whether sales revenue derived from transactions before/after a certain period of balance sheet date was recognized in the correct period, and whether the changes in inventories and costs of sales had been recorded in the proper period to evaluate the reasonableness of revenue recognition.

3. For the accounts receivable at the end of the year, we conducted the substantive tests of the balance, confirmed that accounts receivable and sales revenue were recorded in the correct period in line with the time of revenue recognition.

Evaluation of the Allowance for Inventory Valuation Losses

Matter Description

Refer to Note 4 (11) of the consolidated financial statements for the accounting policy on inventory valuation. For the uncertainties of accounting estimates and assumptions on inventory valuation, refer to Note 5 (2). For the description of allowance for inventory valuation losses, refer to Note 6 (4). The balance of Fulgent Sun Group's inventory as of December 31, 2018 was NT$1,863,144 thousand; allowance for inventory valuation losses was NT$84,752 thousand.

Fulgent Sun Group measures inventories over a certain period of age and those identified with impairments at cost or net realizable value, whichever is lower. The net realizable value used to valuate such inventories often involves subjective judgments. Considering the material impact of the allowance for inventory valuation losses on Fulgent Sun Group's financial statements, we have identified the evaluation of the allowance for inventory valuation losses as a key audit matter for the year.

Corresponding Audit Procedures

The corresponding audit procedures we took for the specific aspects described in the above audit matter are as follows:

1. Understood and evaluated the reasonableness of the subsequent inventory valuation and obsolescence loss for Fulgent Sun Group.

2. Reviewed the annual inventory plan and participated in the annual inventory check to assess the effectiveness of the management in differentiating and controlling obsolete inventories.

3. Obtained inventory report to verify the relevant supporting documents on the date of inventory change and confirmed the correctness of the inventory age groups and the compliance with its policy.

4. Acquired the statement of the net realizable value of various inventories to confirm the same computational logic is adopted; tested the estimated basis of the calculation of the net

realizable value of various inventories, including the verification of the supporting documents of the sales price and inventory price; recalculated and evaluated the reasonableness of the allowance for falling price loss.

Responsibilities of the Management and the Governing Units for the Financial Statements

The responsibilities of the management were to prepare financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations recognized by the Financial Supervisory Commission to present fairly the Company's financial status and also to maintain necessary internal control with regard to the preparation of the consolidated financial statements to ensure such financial statements did not contain any false contents as a result of fraudulence or mistakes.

When the consolidated financial statements are in the process of preparation, the responsibility of the management also includes the assessment of the capacity of Fulgent Sun Group as a going concern, the disclosure of related matters and the adoption of a going-concern basis, unless the management intends to liquidate or suspend the business of Fulgent Sun Group if there are no other practical options

The governing units of Fulgent Sun Group (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objective when auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements as a whole contain any false contents as a result of fraudulence or mistakes and whether they are reasonably reliable and to issue the independent auditors' report. Reasonable assurance means highly reliable. However, auditing work carried out in accordance with the Generally Accepted Auditing Standards of the Republic of China cannot guarantee detection of significant misstatements in the consolidated financial statements. Misstatements could be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

We conducted the auditing work according to the Generally Accepted Auditing Standards of the Republic of China and also exercised our profession judgments and remained professionally skeptical. We have also executed the following tasks:

1. Identify and evaluate risks of misstatements derived from false contents or error in the consolidated financial statements; design and execute proper counter measures against the risks identified, and also obtain sufficient and appropriate audit evidence to serve as the basis of the auditors' opinions. As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect misstatements resulting from fraudulence is higher than the risk of failing to identify those coming from errors.

2. Obtain necessary knowledge of internal controls that are closely related to auditing work and design the appropriate audit procedures without the intention to express any opinion about the validity of the internal controls of Fulgent Sun Group.

3. Evaluate the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting estimates and related disclosures made accordingly.

4. Based on the audit evidence obtained, conclude whether there is any material uncertainty of the appropriateness for the management to adopt the going-concern basis and the events or circumstances that may lead to significant doubts about the capacity of the Fulgent Sun Group as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusion was established according to the audit evidence obtained as of the date of the independent auditors' report. However, future events or circumstances may cause Fulgent Sun Group to no longer have the capacity to function as a going concern.

5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events.

6. Obtain sufficient and appropriate audit evidence with regard to the finances of the individual entities in Fulgent Sun Group to establish our opinion about the consolidated financial statements. We are responsible for the guidance, supervision and implementation of Fulgent Sun Group's audit, and for forming the auditors' opinions on Fulgent Sun Group.

We communicated with the governing units about the planned audit scope and time and important audit findings (including significant internal control defects found during the audit process).

We provided governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the ROC CPA Code of Professional Ethics to remain neutral and also communicated with them about all relations and other matters (including related preventive measures) that could affect the independence of certified public accountants.

Based on the result of our discussion with the governing units, we determined the matters that are regarded as key audit matters when auditing the 2018 consolidated financial statements for Fulgent Sun Group. We have clearly described the said matters in the independent auditors' report except for certain matters which public disclosure is prohibited by law or certain matters which we decided not to mention under some extremely rare circumstances because disclosure of such matters can be reasonably expected to lead to negative effects that would be greater than the public good they might benefit.

Hung Shu-Hua Wang Yu-Chuan

for and on behalf of PricewaterhouseCoopers,Taiwan

March 8, 2019

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 1,313,073	12	$ 1,068,037	12
1110	Financial assets at fair value through profit or loss - current	12	-	-	1,284	-
1150	Net Notes receivable	6 (3)	-	-	9	-
1170	Net accounts receivable	6 (3)	2,140,291	19	1,874,185	20
1200	Other receivables		190,803	2	120,445	1
130X	Inventories	6 (4)	1,863,144	17	1,516,150	16
1410	Prepayments		77,949	-	74,364	1
1470	Other current assets		18,734	-	19,200	-
11XX	**Total current assets**		5,603,994	50	4,673,674	50
	Non-current Assets					
1510	Financial assets at fair value through profit or loss - non-current	6 (2)	1,854	-	-	-
1523	Available-for-sale financial assets – non-current	12	-	-	2,908	-
1600	Property, Plant and Equipment	6 (5) and 8	4,930,269	44	4,319,269	46
1780	Intangible assets		16,970	-	18,581	-
1840	Deferred income tax assets	6 (22)	59,732	1	61,223	1
1900	Other non-current assets	6 (6) and 8	510,849	5	341,626	3
15XX	**Total Non-Current Assets**		5,519,674	50	4,743,607	50
1XXX	**Total assets**		$ 11,123,668	100	$ 9,417,281	100

(Continued)

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
For the Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Liability and shareholder's equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Short-term loans	6 (7) (27)	$ 1,077,264	10	$ 871,857	9
2130	Contract liabilities – current	6 (17)	27,619	-	-	-
2150	Notes payable		-	-	4,642	-
2170	Accounts payable		1,010,680	9	901,815	10
2200	Other payables	6 (8)	931,344	8	665,571	7
2230	Current income tax liabilities	6 (22)	77,513	1	114,564	1
2300	Other current liabilities	6 (9) (11)	250,158	2	276,961	3
21XX	**Total current liabilities**		3,374,578	30	2,835,410	30
	Non-current Liabilities					
2500	Financial liabilities at fair value through profit or loss - non-current	6 (2)	5,500	-	-	-
2530	Corporate bonds payable	6 (9)	971,025	9	-	-
2540	Long-term loans	6 (10)(27)	10,000	-	90,000	1
2570	Deferred income tax liabilities	6 (22)	945	-	16,336	-
2600	Other non-current liabilities	6 (11)	224,004	2	231,902	3
25XX	**Total non-current liabilities**		1,211,474	11	338,238	4
2XXX	**Total Liabilities**		4,586,052	41	3,173,648	34
	Equity attributable to owners of parent company					
	Share Capital	6 (14)				
3110	Capital of common stock		1,462,735	13	1,461,973	15
3140	Capital collected in advance		65,886	1	-	-
	Capital surplus	6 (15)				
3200	Capital surplus		3,377,120	31	3,336,445	35
	Retained earnings	6 (16)				
3310	Legal surplus reserve		346,855	3	266,544	3
3320	Special surplus reserve		446,134	4	244,368	3
3350	Undistributed earnings		1,221,151	11	1,369,501	15
	Other equity					
3400	Other equity		(420,541)	(4)	(446,134)	(5)
3500	**Treasury stocks**	6 (14)	-	-	(32,824)	-
31XX	**Equity attributable to owners of the parent**		6,499,340	59	6,199,873	66
36XX	**Non-controlling Interests**		38,276	-	43,760	-
3XXX	**Total equity**		6,537,616	59	6,243,633	66
	Commitments and Contingent Liabilities	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 11,123,668	100	$ 9,417,281	100

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

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for earnings per share amounts)

Code	Item	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenues**	6 (17)	$ 10,070,151	100	$ 10,388,151	100
5000	**Operating costs**	6 (4)	(8,257,132)	(82)	(8,333,008)	(80)
5950	**Net gross profit**		1,813,019	18	2,055,143	20
	Operating expenses	6 (21)				
6100	Selling expenses		(182,479)	(2)	(197,443)	(2)
6200	General and administrative expenses		(672,073)	(7)	(608,354)	(6)
6300	Research and development expenses		(124,079)	(1)	(118,496)	(1)
6000	**Total operating expenses**		(978,631)	(10)	(924,293)	(9)
6900	**Operating Income**		834,388	8	1,130,850	11
	Non-operating income and expenses					
7010	Other income	6 (18)	57,092	-	69,252	1
7020	Other gains and losses	6 (19)	61,240	1	(164,858)	(2)
7050	Finance costs	6 (20)	(22,898)	-	(15,421)	-
7000	**Total non-operating income and expenses**		95,434	1	(111,027)	(1)
7900	**Profit before tax**		929,822	9	1,019,823	10
7950	Income tax expense	6 (22)	(192,536)	(2)	(223,820)	(2)
8200	**Profit for the year**		$ 737,286	7	$ 796,003	8
	Other comprehensive income (net)					
	Items that may be reclassified subsequently to profit or loss					
8361	Foreign currency translation difference		$ 26,246	-	($ 203,912)	(2)
8362	Unrealized valuation gain (loss) on available-for-sale financial assets	12	-	-	727	-
8300	**Other comprehensive income (net)**		$ 26,246	-	($ 203,185)	(2)
8500	**Total comprehensive income**		$ 763,532	7	$ 592,818	6
	Net income attributable to:					
8610	Owners of parent company		$ 743,001	7	$ 803,113	8
8620	Non-controlling interests		($ 5,715)	-	($ 7,110)	-
	Total comprehensive income attributable to:					
8710	Owners of parent company		$ 769,016	7	$ 601,347	6
8720	Non-controlling interests		($ 5,484)	-	($ 8,529)	-
	Basic earnings per share	6 (23)				
9750	**Total basic earnings per share**		$ 5.10		$ 5.65	
	Diluted earnings per share					
9850	**Total diluted earnings per share**		$ 4.82		$ 5.51	

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

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		Equity attributable to owners of parent company												
		Share capital			Retained earnings			Other equity						
	Notes	Capital of common stock	Capital collected in advance	Capital surplus	Legal surplus reserve Reserves	Special surplus reserve Reserves	Undistributed earnings	Foreign currency translation difference	Available-for-sale finance Unrealized assets Profit or loss	Employee unearned remuneration	Treasury stocks	Total	Non-controlling interests	Total equity
2017														
Balance at January 1, 2017		$ 1,380,954	$ -	$ 2,990,516	$ 196,318	$ 210,604	$ 1,134,403	($ 244,063)	($ 305)	($ 731)	$ -	$ 5,667,696	$ 35,963	$ 5,703,659
Profit for the year		-	-	-	-	-	803,113	-	-	-	-	803,113	(7,110)	796,003
Other comprehensive income		-	-	-	-	-	-	(202,493)	727	-	-	(201,766)	(1,419)	(203,185)
Total comprehensive income		-	-	-	-	-	803,113	(202,493)	727	-	-	601,347	(8,529)	592,818
Distribution of earnings	6 (16)													
Allocation to legal surplus reserve		-	-	-	70,226	-	(70,226)	-	-	-	-	-	-	-
Allocation to special surplus reserve		-	-	-	-	33,764	(33,764)	-	-	-	-	-	-	-
Allocation of cash dividends		-	-	-	-	-	(456,829)	-	-	-	-	(456,829)	-	(456,829)
Restricted employee shares compensation		-	-	(110)	-	-	-	-	-	731	-	621	-	621
Cancellation of restricted employee shares compensation		(42)	-	42	-	-	-	-	-	-	-	-	-	-
Common stock converted from convertible bonds		81,061	-	355,127	-	-	-	-	-	-	-	436,188	-	436,188
Buyback of treasury stocks		-	-	-	-	-	-	-	-	-	(32,824)	(32,824)	-	(32,824)
Recognized changes in ownership interests in subsidiaries		-	-	(9,130)	-	-	(7,196)	-	-	-	-	(16,326)	16,326	-
Balance at December 31, 2017		$ 1,461,973	$ -	$ 3,336,445	$ 266,544	$ 244,368	$ 1,369,501	($ 446,556)	$ 422	$ -	($ 32,824)	$ 6,199,873	$ 43,760	$ 6,243,633
2018														
Balance at January 1, 2018		$ 1,461,973	$ -	$ 3,336,445	$ 266,544	$ 244,368	$ 1,369,501	($ 446,556)	$ 422	$ -	($ 32,824)	$ 6,199,873	$ 43,760	$ 6,243,633
Effects of retrospective application and retrospective restatement	12 (4)	-	-	-	-	-	422	-	(422)	-	-	-	-	-
Adjusted balance as of January 1, 2018		1,461,973	-	3,336,445	266,544	244,368	1,369,923	(446,556)	-	-	(32,824)	6,199,873	43,760	6,243,633
Profit for the year		-	-	-	-	-	743,001	-	-	-	-	743,001	(5,715)	737,286
Other comprehensive income		-	-	-	-	-	-	26,015	-	-	-	26,015	231	26,246
Total comprehensive income		-	-	-	-	-	743,001	26,015	-	-	-	769,016	(5,484)	763,532
Distribution of earnings	6 (16)													
Allocation to legal surplus reserve		-	-	-	80,311	-	(80,311)	-	-	-	-	-	-	-
Allocation to special surplus reserve		-	-	-	-	201,766	(201,766)	-	-	-	-	-	-	-
Allocation of cash dividends		-	-	-	-	-	(599,554)	-	-	-	-	(599,554)	-	(599,554)
Capital increase by cash		-	65,886	7,731	-	-	-	-	-	-	-	73,617	-	73,617
Recognized equity components due to the issuance of convertible bonds - stock options	6 (9)	-	-	29,674	-	-	-	-	-	-	-	29,674	-	29,674
Common stock converted from convertible corporate bonds	6 (9)	762	-	3,270	-	-	-	-	-	-	-	4,032	-	4,032
Transfer of treasury stocks to employee		-	-	-	-	-	(10,142)	-	-	-	32,824	22,682	-	22,682
Balance at December 31, 2018		$ 1,462,735	$ 65,886	$ 3,377,120	$ 346,855	$ 446,134	$ 1,221,151	($ 420,541)	$ -	$ -	$ -	$ 6,499,340	$ 38,276	$ 6,537,616

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

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31 2018	2017
Cash flows from operating activities			
Profit before tax		$ 929,822	$ 1,019,823
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	6 (2) (19)	2,701	(2,572)
Discount provision		-	(448)
Depreciation expense	6 (5) (21)	518,911	465,878
Amortization expense	6 (21)	29,872	27,299
Bad debts expense provision	12	-	2,125
Expected credit loss provision	12	802	-
Rent expense reclassified from long-term prepayment of rent	6 (6)	6,474	6,285
Loss on disposal of property, plant and equipment	6 (19)	40,867	955
Loss on disposal of intangible assets		206	-
Interest income	6 (18)	(11,187)	(8,135)
Interest expense	6 (20)	22,898	15,421
Share-based payment remuneration cost	6 (13)	12,391	621
Changes in assets and liabilities related to operating activities			
Net change in assets related to operating activities			
Financial assets (liabilities) at fair value through profit or loss		148	(594)
Notes receivable		9	(9)
Accounts receivable		(217,623)	(586,044)
Other receivables		(68,497)	(9,875)
Inventories		(325,636)	76,845
Prepayments		(17,220)	4,883
Other current assets		861	(3,234)
Net change in liabilities related to operating activities			
Contract liabilities		13,014	-
Notes payable		(4,791)	4,642
Accounts payable		108,391	178,009
Other payables		78,021	11,741
Other current liabilities		(1,998)	(29,021)
Other non-current liabilities		(3,179)	(3,236)
Cash inflow generated by operations		1,115,257	1,171,359
Interest received		11,008	8,432
Interest paid		(22,962)	(9,058)
Income tax paid		(230,574)	(212,819)
Net cash flows from operating activities		872,729	957,914

(Continued)

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31 2018	2017
Cash flows from investing activities			
Decrease in other financial assets		$ -	$ 24,064
Acquisition of property, plant and equipment	6 (26)	(965,385)	(703,594)
Disposal of property, plant and equipment		35,198	14,025
Acquisition of intangible assets		(1,851)	(303)
Increase in other non-current assets		(158,053)	(27,935)
Decrease in refundable deposits		(42)	(58)
Net cash flows used in investing activities		(1,090,133)	(693,801)
Cash flows from financing activities			
Increase in short-term loans	6 (27)	177,167	213,274
Issuance of convertible bonds payable		1,006,000	-
Repayment of convertible bonds payable		(9,865)	-
Proceeds from long-term loans	6 (27)	151,418	129,044
Repayments of long-term loans	6 (27)	(234,306)	(159,468)
Cash dividends distribution	6 (16)	(599,554)	(456,829)
Cost of redemption of treasury stocks	6 (14)	-	(32,824)
Receipts in advance for cash capital increase		65,886	-
Employees' subscription to treasury stock		18,020	-
Net cash flows (used in) from financing activities		574,766	(306,803)
Exchange differences		(112,326)	80,225
Increase in cash and cash equivalents for the year		245,036	37,535
Cash and cash equivalents at beginning of year		1,068,037	1,030,502
Cash and cash equivalents at end of year		$ 1,313,073	$ 1,068,037

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

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Fulgent Sun International (Holding) Co., Ltd. (hereinafter referred to as the Company) was established in the British Cayman Islands in November 2009 with the office located at No.76, Sec.3, Yunke Rd., Douliu City, Yunlin Country, Taiwan. The scope of business of the Company and subsidiaries (hereinafter referred to as the Group) is to produce and sell sports and outdoor shoes.

II. Authorization Date and Procedures of the Financial Statements

The consolidated financial statements were approved and issued on March 8, 2019, by the Board of Directors.

III. Application of New and Amended International Financial Reporting Standards and Interpretations

(I) Effects of new and revised International Financial Reporting Standards (IFRS) endorsed by the Financial Supervisory Commission (hereinafter referred to as the FSC)

The following table summarizes the new, revised, amended standards and interpretations endorsed by FSC in 2018:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial Instruments with IFRS 4 Insurance Contracts'	January 1, 2018
IFRS 9, 'Financial Instruments'	January 1, 2018
IFRS 15, 'Revenue from Contracts with Customers’	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'	January 1, 2018
Amendment to IAS 7, 'Disclosure Initiative'	January 1, 2017
Amendment to IAS 12, 'Recognition of Deferred Tax Assets for Unrealized Losses'	January 1, 2017
Amendment to IAS 40, 'Transfers of Investment Property'	January 1, 2018
IFRIC 22, ‘Foreign Currency Transactions and Advance Consideration’	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle - IFRS 1, 'First-time Adoption of International Financial Reporting Standards'	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle - IFRS 12, 'Disclosure of Interests in Other Entities'	January 1, 2017
Annual Improvements in IFRSs 2014-2016 Cycle - IAS 28, ' Investments in Associates and Joint Ventures'	January 1, 2018

Except as described below, the above standards and interpretations have no significant impact on the financial position and financial performance of the Group after assessment.

When applying the IFRSs endorsed by FSC in 2018, the Group adopts the amended retrospective adjustment in IFRS 9 (hereinafter referred to as the “IFRS 9”) and IFRS 15 (hereinafter referred to as the “IFRS 15”). The impact on the Company's financial statements on January 1, 2018 is summarized below:

1. The Group will reclassify the available-for-sale financial assets of NT$2,908 under IFRS 9 by increasing financial assets at fair value through profit or loss in the amount of NT$2,908, increasing the retained earnings by NT$422 and other equity by NT$422.
2. Please refer to Note 12 (4) for details on the disclosure of IFRS 9.
3. The presentation of contract liabilities is in compliance with the relevant provisions of IFRS 15, hence the Group revised some of its accounting items in the balance sheet as follows:
   (1) Liabilities in relation to expected volume discounts and refunds, under IFRS 15, are recognized as contract liabilities, but were presented as accounts receivable - reserve for sales and allowance in the past reporting period. The balance as of January 1, 2018 was NT$319.
   (2) According to IFRS 15, contract liabilities recognized in relation to product sales contracts were presented as receipts in advance in the past reporting period, and the balance as of January 1, 2018 was NT$14,247.
4. Please refer to Note 12 (5) for other disclosures in relation to the initial application of IFRS 15.

(II) Effects of new and revised IFRSs endorsed by FSC not yet adopted by FSC

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2019:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IFRS 9, 'Prepayment Features with Negative Compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan Amendment, Curtailment or Settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term Interests in Associates and Joint Ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant impacts on the Group’s financial position and financial performance, except for items as stated below. The relevant amount that is affected will be disclosed once the assessment is completed.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’ replaces IAS 17 ‘Leases’ and its related interpretations and interpretations. The standard requires lessees to recognize a right-of-use asset and a lease liability (other than leases with terms of less than 12 months or lower value); the accounting remains the same for lessors, which is to classify as either an operating lease or a finance lease, depending on the purpose for which the relevant disclosures will be made, except that additional disclosures are required.

The Group handles the lease contracts of lessees under IFRS 16 without restating the financial statements of the previous period (hereinafter referred to as the "modified retrospective approach"). Right-of-use assets and the lease liability are increased by NT$651,037 and NT$235,140, respectively, as of January 1, 2019, and other non-current assets is decreased in the amount of NT$415,897.

(III) Impact of IFRSs Issued by IASB but not yet endorsed by the FSC

The following table summarizes the new, revised, amended standards and interpretations that have been issued by the IASB but not yet endorsed by the FSC.

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative - Definition of Material'	January 1, 2020
Amendment to IFRS 3, 'Definition of Business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance Contracts'	January 1, 2021

The above standards and interpretations have no significant impact on the Group's financial position and financial performance after the assessment by the Group.

IV. Summary of Significant Accounting Policies

Principal accounting policies applied in preparing these consolidated financial statements are listed below. Unless otherwise stated, the policies shall be applicable to all reporting periods presented.

(I) Compliance statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations (collectively referred to as "IFRSs" hereinafter) endorsed by the FSC.

(II) Basis of preparation

1. Except for the following important items, the consolidated financial statements have been prepared on the historical cost basis:

   Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. When the Group adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this consolidated financial reports. Please refer to Note 5 for details.

3. The Group applied IFRS 9 and IFRS 15 on January 1, 2018. The modified retrospective approach was adopted to recognize transitional differences to retained earnings and other equity as of January 1, 2018. The Company did not restate the notes to the financial statements for the year 2017. 2017 consolidated financial statements are in compliance with the International Accounting Standards 39 ("IAS39" hereinafter), International Accounting Standards 11 ("IAS 11") hereinafter, International Accounting Standards 18 ("IAS 18" hereinafter), and their related IFRIC Interpretations and SIC interpretations for the year 2017. For the critical accounting policies adopted, please refer to Note 12 (4) and (5).

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements

(1) The Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities (including structured entities) controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.

(2) Transactions, balances and unrealized gains and losses between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) The profit or loss and each component of other comprehensive income is attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.

(4) A change in the ownership interest of a subsidiary without a loss of control (transactions with non-controlling interests) is accounted for as an equity transaction, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When the Group loses control of a subsidiary, any investment retained in the former subsidiary should be remeasured at fair value and be regarded as the fair value on initial recognition of a financial asset or, when appropriate, as the cost on initial recognition of an investment in an associate or a joint venture. difference between fair value and carrying amount should be recognized in profit or loss. All amounts recognized in other comprehensive income in relation to that subsidiary should be accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when it loses control on that subsidiary.

2. Subsidiaries included in the consolidated financial statements:

Investee Company	Name	Nature of business	% of Ownership		
			December 31, 2018	December 31, 2017	Description
The Company	Capital Concord Enterprises Limited (Capital Concord Enterprises Limited, (HK))	Holdings and production and sale of sports and outdoor shoes	100	100	
Capital Concord Enterprises Limited, (HK)	Fujian Laya Outdoor Products Co., Ltd. (Fujian Laya Electronics Co., Ltd.)	Distribution and import and export trade	100	100	
Capital Concord Enterprises Limited, (HK)	Laya Max Trading Co., Ltd. (Taiwan Laya)	Distribution and import and export trade	100	100	
Capital Concord Enterprises Limited, (HK)	Laya Outdoor Products Limited (Hong Kong Laya)	Holding company	100	100	
Capital Concord Enterprises Limited, (HK)	Fujian Sunshine Footwear Co., Ltd. (Sunshine)	Production and sale of sports and outdoor shoes	100	100	
Capital Concord Enterprises Limited, (HK)	Sunny Footwear Co., Ltd. (Sunny)	Production and sale of sports and outdoor shoes	100	100	
Capital Concord Enterprises Limited, (HK)	Hubei Sunsmile Footwear Co., Ltd. (Sunsmile)	Production and sale of sports and outdoor shoes	100	100	
Capital Concord Enterprises Limited, (HK)	Fulgent Sun Footwear Co., Ltd. (Fulgent Sun)	Production of sports and outdoor shoes	100	100	
Capital Concord Enterprises Limited, (HK)	Lin Wen Chih Sunbow Enterprises Co., Ltd. (Sunbow)	Production and sale of sports and outdoor shoes	100	100	
Capital Concord Enterprises Limited, (HK)	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Garment Co., Ltd. (Sunstone)	Processing and sale of clothing	91.27	91.27	Note
Capital Concord Enterprises Limited, (HK)	NGOC HUNG Footwear Co., Ltd. (NGOC HUNG)	Production of sports and outdoor shoes	100	100	
Sunbow	Lin Wen Chih Sunlit Enterprises Co., Ltd. (Sunlit)	Land lease	100	100	
Hong Kong Laya	Fujian La Sportiva Co., Ltd. (La Sportiva)	Distribution and import and export trade	60	60	

Note: On August 31, 2017 and November 30, 2017, Capital Concord Enterprise Limited increased the capital of Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. by cash injections of US$2.75 million and US$2 million respectively, leading to an increase in shareholding ratio from 87.5% to 91.27%.

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

4. Different adjustments and treatment methods for subsidiaries' accounting period: None.

5. Significant restrictions: None.

6. Subsidiaries with significant non-controlling interests: None.

(IV) Foreign currency translation

The functional currency of the Group’s subsidiaries in the R.O.C., the P.R.C., and its subsidiaries in the region of southeast Asia is New Taiwan Dollars, RMB, Vietnamese Yuan and United States dollars respectively, and the consolidated financial statements are presented in New Taiwan Dollar.

1. Foreign Currency Transaction and Balance

(1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.

(2) Foreign currency monetary assets and liabilities are re-translated at the spot exchange rate at the balance sheet date. Exchange differences arising from re-translations are recognized in profit or loss.

(3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.

(4) all other exchange gains and losses are presented in the statement of profit or loss within “other gains and losses”.

2. Translation from Foreign Operations

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

A. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

(V) Classification of Current and Non-current Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:
   (1) Assets that are expected to be realized within normal operating cycle or are intended to be sold or consumed.
   (2) Assets held mainly for trading purposes.
   (3) Assets that are expected to be realized within twelve months after the balance sheet date;
   (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

   The Group classifies assets that do not meet the aforementioned criteria as non-current assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
   (1) Liabilities that are expected to be settled within the normal operating cycle.
   (2) Liabilities arising mainly from trading activities.
   (3) Liabilities that are expected to be settled within twelve months after the balance sheet date.

   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies liabilities that do not meet the aforementioned criteria as non-current liabilities.

(VI) Cash and cash equivalents

Cash equivalents refer to short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of changes in value. Time deposits satisfying the afore-mentioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

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

1. Financial assets not measured at amortized cost or financial assets at fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized using trade date accounting.
3. Financial assets at FVTPL are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.
4. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(VIII) Accounts receivables and notes receivables

1. Accounts receivables and notes receivables are accounts and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. Short-term accounts and notes that are unpaid as interest-bearing, and the impact of discounting is not significant, the Group will measure the amount of the original invoice amount.

(IX) Impairment of financial assets

The Group measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the twelve-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

(X) Derecognition of financial assets

The Group derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XI) Inventories

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

(XII) Property, Plant and Equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset’s book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment is significant in relation to the total cost of the item, it must be depreciated separately.
4. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate

under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2~50 years
Machinery equipment	3~15 years
Transportation equipment	3~15 years
Office equipment	3~11 years
Other equipment	1~21 years

(XIII) Leased assets/Operating leases (lessee)

For operating leases, lease payments (excluding incentives from the lessor) are amortized on a straight-line basis over the lease term and recognized in profit or loss.

(XIV) Intangible Assets

Computer software is amortized on a straight-line basis over the period of the cost recognition and is amortized over the period of 2 to 15 years.

(XV) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(XVI) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.

(XVII) Accounts and notes payables

1. The amount of liabilities incurred as a result of purchases of raw materials, commodities or services, and notes payable arising from business and non-operating activities.
2. Short-term accounts and notes payable that are unpaid as interest-bearing, and the impact of discounting is not significant, the Group will measure the amount of the original invoice.

(XVIII) Financial liabilities at fair value through profit or loss

1. The main purpose of the occurrence is that the financial liabilities held for trading is sold or re-sold in the near future.
2. The Group recognizes the fair value of the related transaction costs on initial recognition, and the transaction costs are recognized in profit or loss, and the gains or losses are recognized in profit or loss.

(XIX) Financial assets and liabilities offsetting

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

(XX) Convertible corporate bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the conditions of issuance. Convertible corporate bonds are accounted for as follows:

1. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as "financial assets or liabilities at fair value through profit or loss". They are subsequently remeasured and stated at fair value on each balance sheet date; the differences are recognized as "gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss".
2. The main contract of payable convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable liabilities and presented as an addition to or deduction from bonds payable liabilities, which is amortized in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.
3. Conversion options embedded in convertible corporate bonds issued by the Group which meet the definition of an equity instrument are initially recognized in "capital surplus—stock warrants" at the residual amount of total issue price less amounts of "financial assets or liabilities at fair value through profit or loss" and "corporate bonds payable—net" as stated above. Conversion options are not subsequently remeasured
4. Transaction costs that are directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to their original carrying amounts.
5. When bondholders exercise conversion options, the liability component of the bonds (including "corporate bonds payable" and "financial assets or liabilities at fair value through profit or loss") shall be remeasured on the conversion date. The carrying value of ordinary shares issued due to the conversion shall be based on the adjusted carrying value of the aforementioned liability component plus the carrying value of "capital surplus - stock warrants".
6. When bondholders exercise call options in the next year, corporate bonds payable shall be reclassified as current liabilities. After the period of call options exercised expires, corporate bonds payable where call options are not exercised shall be reclassified as non-current liabilities.

(XXI) Non-hedging Derivatives

Non-hedging derivatives are initially measured at the fair value of the date when contracts are executed and presented as financial assets or liabilities measured at FVTPL. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss.

(XXII) Employee Benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

   For defined contribution plans, the contributions are recognized as pension costs in the period in which they are incurred. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. Employees' Compensation and Directors' and Supervisors' Remuneration

   Employees' Compensation and Directors' and Supervisors' Remuneration are recognized as expenses and liabilities when the legal or constructive obligations are reasonably estimated and the amount can be reasonably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee bonus is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXIII) Employee share-based payment

1. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as remuneration cost over the vesting period, with a corresponding adjustment to equity. The fair value of equity instruments that reflect market vesting conditions and non-vesting conditions. The recognized remuneration costs are adjusted as the number of awards that are expected to meet the service conditions and non-market price vesting conditions, and the final amount recognized is recognized on the vesting amount on the vesting day.

2. Restricted employee shares:

   (1) Remuneration costs recognized in the vesting period in which the fair value of the equity instruments at the grant date.

   (2) The Company does not impose restrictions on employees’ right to participate in the dividend distribution and employees that depart within the vesting period do not have to repay dividends they have received. The dividends that are expected to be distributed to departing employees within the vesting period on the dividend announcement date shall be recognized as remuneration cost through fair value of the dividends.

   (3) Employees receive restricted employee shares free of charge. When employees resign during the vesting period, the Company will recover the shares free of charge and cancel them.

(XXIV) Income tax

1. Income tax expense comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The income tax expenses are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes tax liability where appropriate on the basis of amounts expected to be paid to the tax authorities. Tax is levied on the undistributed earnings that are subject to income tax laws. If the distribution of earnings is approved by the shareholders' meeting in the year following the earnings are generated, the income tax expense shall be recognized in accordance to the actual distribution of earnings.

3. Deferred income tax adopts the balance sheet approach, and is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized for temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXV) Share Capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of income tax, from the proceeds.

2. When the Company bought back the issued stocks, the consideration paid includes any directly attributable incremental costs, net of tax, to be recognized as deduction of shareholders' equity. When the shares are subsequently reissued, the difference between the consideration received net of any directly attributable incremental costs and the carrying amount is adjusted for the difference between shareholders' equity and the carrying amount.

(XXVI) Dividend distribution

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

(XXVII) Revenue recognition

1. Sales of goods

   (1) The Group operates in outdoor shoes production and sales, and revenue from sales of goods is recognized when control of the product is transferred to the customer. Goods are deemed delivered when the risk of delivery, obsolescence and loss is transferred to customers and customers has accepted the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for acceptance have been satisfied.

   (2) The Group's sales of outdoor shoes, which are recognized as a deduction from the net sales discount, after deducting the estimated sales discount. Sales discount to customers is normally calculated based on the cumulative sales volume of the Group's for a period of 12 months, and the sales discount is based on historical experience, and is not expected to be significantly reversed, and is updated on each balance sheet date. Sales discount payable to customers as at the balance sheet date is recognized as contract liabilities. The terms of sales transactions are the 30-75 days after the date of shipment and are consistent with the market practice and therefore the judgment is the contract does not contain significant financial component.

   (3) Accounts receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for passage of time.

2. Financial composition

   When the Group enters into a contract with its customers, the Group has transferred the promised goods or services to the customer, the time of payment from the customers is less than a year, and the Group has not adjusted the transaction price to reflect the time value of money.

(XXVIII) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. The grant is recognized as income over the period necessary to match it with the related costs of the Group, for which it is intended to compensate, on a systematic basis. Government grants associated with property, plant and equipment are recognized as non-current liabilities and income using the straight-line method over their estimated useful lives.

(XXIX) Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes decisions about the Group's major operating decisions.

V. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

When preparing the consolidated financial statement, management of the Group had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumption made and actual results, the historical experience, and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next financial year. The related information is addressed below:

(I) Critical judgments in applying accounting policies

None.

(II) Critical accounting estimates and assumptions

Inventory valuation

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technological changes, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Since the inventory valuation is estimated based on demands for products in a specific future period, it may be subject to significant changes.

VI. Details Of Significant Accounts

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 3,582	$ 6,601
Checking accounts and demand deposits	845,574	838,850
Time deposits	463,917	222,586
Total	$ 1,313,073	$ 1,068,037

1. The Group deals with financial institutions with good credit quality. The Group also deals with various financial institutions in order to disperse credit risks. Therefore, the expected risk of default is low.
2. The Group presents time deposits with original maturity of over three months and non-satisfying short-term cash commitment to the "other circulating assets", which the amount of the years ended December 31, 2018 and 2017 is NT$0.

(II) Financial assets (liabilities) measured at fair value through profit or loss

Item	December 31, 2018
Non-current items:	
Financial assets mandatorily measured at FVTPL	
- Stocks of listed companies	$ 1,854
Financial liabilities designated as measured at FVTPL	
Redemption of convertible bonds and put options	($ 5,500)

1. The Group has no transaction contracts for derivative financial assets that are not hedging as of December 31, 2018.

   The Group purchased forward (by selling USD to buy RMB) to avoid exchange rate risks arising from import and export; however, hedge accounting was not applied. For 2018, the Company recognized loss NT$832.

2. Redemption and reverse repurchase of convertible corporate bonds held by the Group were loss NT$815 in 2018.

3. The Group has listed stocks in listed companies as a loss of NT$1,054 for 2018.

4. The Group did not pledge the financial assets at fair value through profit or loss as collateral.

(III) Notes and net accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ -	$ 9
Accounts receivable	$ 2,143,921	$ 1,877,253
Less: allowance for uncollectible accounts	(3,630)	(2,749)
Less: Allowance for sales returns and allowances	-	(319)
	$ 2,140,291	1,874,185

1. The aging analysis of notes and accounts receivable is as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 2,030,828	$ 1,777,883
0~90 days past due	110,491	92,542
91~180 days past due	139	3,910
181~365 days past due	474	1,329
Over 365 days past due	1,989	1,598
Total	$ 2,143,921	$ 1,877,262

   The ageing analysis above was based on the number of days overdue.

2. For related credit risk information, please refer to Note 12 (2).

(IV) <u>Inventories</u>

	December 31, 2018		
	Cost	Allowance for inventory valuation and obsolescence loss	Carrying Amount
Merchandise inventory	$ 75,803	($ 15,114)	$ 60,689
Raw materials	467,776	(36,302)	431,474
Work in process	475,770	(6,436)	469,334
Finished goods	725,356	(26,900)	698,456
Inventory in transit	203,191	-	203,191
Total	$ 1,947,896	($ 84,752)	$ 1,863,144

	December 31, 2017		
	Cost	Allowance for inventory valuation and obsolescence loss	Carrying Amount
Merchandise inventory	$ 68,546	($ 11,587)	$ 56,959
Raw materials	490,649	(43,631)	447,018
Work in process	425,924	(8,767)	417,157
Finished goods	428,023	(18,865)	409,158
Inventory in transit	185,858	-	185,858
Total	$ 1,599,000	($ 82,850)	$ 1,516,150

The cost of inventories recognized as expense for the period:

	2018	2017
Cost of inventories sold	$ 8,249,459	$ 8,367,634
Inventory valuation loss (recovery gain)	1,902	(35,432)
Loss for inventory obsolescence	1,805	4,274
loss(gain) on physical inventory	5,883	(6,892)
Recognition as an expense	(1,786)	(962)
Effect of Exchange	(131)	4,386
	$ 8,257,132	$ 8,333,008

In 2017, the Group closed out part of the inventories for which valuation loss had been recognized. This led to a rise in the net realizable value of the inventories, which was recognized in the loss on cost of goods sold.

(V) Property, Plant and Equipment

	2018					
Cost	Opening Balance	Increase in the Period	Decrease in the period	Transfer in the period	Effect of Exchange	Ending Balance
Land	$ 292,662	$ -	$ -	$ -	$ 9,392	$ 302,054
Buildings	2,814,015	109,918	(2,495)	258,072	34,815	3,214,325
Machinery equipment	2,211,674	476,775	(228,662)	910	23,256	2,483,953
Transportation equipment	91,078	3,773	(7,847)	-	5,159	92,163
Office equipment	39,559	1,620	(674)	(49)	134	40,590
Others	1,057,092	108,995	(33,516)	45,817	9,918	1,188,306
Leased assets	5,560	-	(5,560)	-	-	-
Construction in progress	408,868	402,241	-	(307,411)	17,643	521,341
	$ 6,920,508	$ 1,103,322	($ 278,754)	($ 2,661)	$ 100,317	$ 7,842,732
Accumulated depreciation	Opening Balance	Increase in the Period	Decrease in the period	Transfer in the period	Effect of Exchange	Ending Balance
Buildings	($ 754,074)	($ 138,555)	$ 1,963	($ 7)	$ 3,206	($ 887,467)
Machinery equipment	(1,199,008)	(196,194)	158,576	656	3,261	(1,232,709)
Transportation equipment	(48,850)	(9,750)	5,636	7	(2,066)	(55,023)
Office equipment	(33,463)	(1,961)	662	49	114	(34,599)
Others	(563,342)	(172,358)	33,257	141	(363)	(702,665)
Leased assets	(2,502)	(93)	2,595	-	-	-
	($ 2,601,239)	($ 518,911)	$ 202,689	$ 846	$ 4,152	($ 2,912,463)
	$ 4,319,269					$ 4,930,269

Cost	2017 Opening Balance	Increase in the Period	Decrease in the period	Transfer in the period	Effect of Exchange	Ending Balance
Land	$ 317,149	$ -	$ -	$ -	($ 24,487)	$ 292,662
Buildings	2,783,012	80,234	-	56,616	(105,847)	2,814,015
Machinery equipment	2,112,123	216,846	(47,735)	1,025	(70,585)	2,211,674
Transportation equipment	75,313	20,066	(2,049)	2,088	(4,340)	91,078
Office equipment	34,496	1,083	(2,219)	7,652	(1,453)	39,559
Others	948,397	209,332	(53,091)	(2,609)	(44,937)	1,057,092
Leased assets	5,560	-	-	-	-	5,560
Construction in progress	286,052	215,228	-	(67,173)	(25,239)	408,868
	$ 6,562,102	$ 742,789	($ 105,094)	($ 2,401)	$ 276,888	$ 6,920,508

Accumulated depreciation	Opening Balance	Increase in the Period	Decrease in the period	Transfer in the period	Effect of Exchange	Ending Balance
Buildings	($ 642,245)	($ 126,756)	$ -	$ -	$ 14,927	($ 754,074)
Machinery equipment	(1,076,715)	(181,041)	34,554	-	24,194	(1,199,008)
Transportation equipment	(44,010)	(7,799)	789	-	2,170	(48,850)
Office equipment	(25,764)	(3,305)	2,045	(7,336)	897	(33,463)
Others	(492,221)	(146,421)	52,726	7,301	15,273	(563,342)
Leased assets	(1,946)	(556)	-	-	-	(2,502)
	($ 2,282,901)	($ 465,878)	$ 90,114	($ 35)	$ 57,461	($ 2,601,239)
	$ 4,279,201					$ 4,319,269

As of December 31, 2018 and 2017, the Group's information on property, plant and equipment pledged as collateral, please refer to Note 8 for details.

(VI) Other non-current assets

Item	December 31, 2018	December 31, 2017
Non-current:		
Long-term prepaid rent	$ 415,897	$ 259,190
Prepayments for equipment	52,090	38,530
Refundable Deposits	5,294	5,226
Others	37,568	38,680
Total	$ 510,849	$ 341,626

1. According to the contract signed by the Group, the term of the lease on land is 35 to 50 years, and the rent was paid in full when the contract was signed. For the years ended December 31, 2018 and 2017, the Group recognized NT$6,474 and NT$6,285 in rental expense respectively.
2. For other non-current assets pledged as collateral by the Group for the years ended December 31, 2018 and 2017, refer to Note 8.

(VII) Short-term loans

Loan type	December 31, 2018	Interest range	Collateral
Credit loans	$ 1,077,264	0.70%~2.93%	Note

Loan type	December 31, 2017	Interest range	Collateral
Credit loans	$ 871,857	0.78%~2.06%	Note

Note: For the information about property, plant and equipment pledged as collateral by the Group, please refer to Note 8 for details.

(VIII) Other payables

	December 31, 2018	December 31, 2017
Accrued salaries	$ 449,902	$ 398,801
Payables on equipment	267,378	117,696
Others	214,064	149,074
	$ 931,344	$ 665,571

(IX) Corporate bonds payable

	December 31, 2018	December 31, 2017
Third issuance of unsecured convertible corporate bonds in Taiwan	$ 237,600	$ 251,700
Fourth issuance of unsecured convertible corporate bonds in Taiwan	1,000,000	-
Less: Discounts for corporate bonds payable	(30,080)	(4,478)
Subtotal	1,207,520	247,222
Less: Portion due within one year	(236,495)	(247,222)
Total	$ 971,025	$ -

1. The Board of Directors adopted the issuance of the third domestic unsecured convertible corporate bonds within the R.O.C on March 8, 2016. Detailed information is described below:

   (1) The Company's issuance conditions for the third unsecured convertible corporate bonds are as follows:

A. For the issuance of the third domestic unsecured convertible corporate bonds as approved by the authority in charge, the total issuance is NT$700,000 with a par value of NT$100,000 per coupon. The coupon rate is 0%, and the duration of issuance is 3 years. The period of circulation is from May 3, 2016 to May 3, 2019. All convertible corporate bonds are repaid in cash at the bond's nominal amount when due. The convertible corporate bonds have been traded in Taipei Exchange since May 3, 2016.

B. The bondholders may request the Company to convert the convertible corporate bonds to common stock at any time from three months of the bond issue to the maturity date except for the period of suspension of transfer prescribed in the regulations or by law. The rights and obligations of common stock converted from convertible corporate bonds are the same as those of common stock originally issued.

C. The conversion price was NT$58.5 per share at issuance. The conversion price is set in accordance with the indenture. In case of any anti-dilution clause, the applicable conversion price shall be subject to adjustments set out in the indenture.

D. The bond holders may request the Company to redeem the converted corporate bonds in cash at 101.0025% of the par value of the bonds, within 40 days before the issuance of the corporate bonds of two years.

E. The Company may inform creditors within 30 business days after the issuance and repurchase the bonds outstanding in cash at the bonds' nominal amount at any time after the following event occurs: the closing price of the Company's common stock is above the then conversion price by 30% for 30 consecutive business days during the period from the date after three months of the bonds issue to 40 days before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' nominal amount at any time after the following events occur: the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date following three months of the bonds issue to 40 days before the maturity date.

F. According to the regulations of the conversion, all the Company's collection (including repurchase of securities from the securities firm), repayment or conversion of convertible corporate bonds that have been converted will be registered and the conversion rights are extinguished and issued.

(2) As of December 31, 2018, the Company's corporate bonds for the nominal amount of NT$452,400 were converted into 8,188 thousand ordinary shares. After issuance, if the shares of common stock issued increase or the ratio of the current price per share at which cash dividends are distributed exceeds 1.5%, the Company shall adjust the conversion price to NT$50.2 per share in accordance with the formula set out in the terms of issuance.

(3) Regarding the issuance of convertible corporate bonds, the equity conversion options amounting to NT$8,481 as of December 31, 2018

separated from the liability component and were recognized in "capital surplus – stock warrants" in accordance with IAS 32. In addition, the embedded call and put options are in accordance with IFRS 9 requirements, since the economic characteristics and risks of the principal contract are not closely related, it is separated and accounted for as a net amount of "financial assets and liabilities at fair value through profit or loss". The effective interest rate on the principal contract debts after separation is 1.330%.

(4) In part of the corporate bond, the Company's corporate bond holders have exercised the right to sell the bonds repurchased at par value of NT$10,100 at 101.0025% on April 30,2017, and the recovery of the bonds is NT$243.

2. The Board of Directors adopted the issuance of the fourth domestic unsecured convertible corporate bonds within the R.O.C on August 6, 2017. Detailed information is described below:

(1) The following is the Company's issuance conditions for the fourth unsecured convertible corporate bonds:

A. For the issuance of the third domestic unsecured convertible corporate bonds as approved by the authority in charge, the total issuance is NT$1,000,000 with a par value of NT$100,000 per coupon. The coupon rate is 0%, and the duration of issuance is 3 years. The period of circulation is from October 2, 2018 to October 2, 2021 All convertible corporate bonds are repaid in cash at the bond's nominal amount when due. The convertible corporate bonds have been traded in Taipei Exchange since October 2, 2018.

B. The bondholders may request the Company to convert the convertible corporate bonds to common stock at any time from three months of the bond issue to the maturity date except for the period of suspension of transfer prescribed in the regulations or by law. The rights and obligations of common stock converted from convertible corporate bonds are the same as those of common stock originally issued.

C. The conversion price was NT$54.5 per share at issuance. The conversion price is set in accordance with the indenture. In case of any anti-dilution clause, the applicable conversion price shall be subject to adjustments set out in the indenture.

D. The bond holders may request the Company to redeem the converted corporate bonds in cash at 101.0025% of the par value of the bonds, within 40 days before the issuance of the corporate bonds of two years.

E. The Company may inform creditors within 30 business days after the issuance and repurchase the bonds outstanding in cash at the bonds' nominal amount at any time after the following event occurs: the closing price of the Company's common stock is above the then conversion price by 30% for 30 consecutive business days during the period from the date after three months of the bonds issue to 40 days before the maturity date. The Company may repurchase all the bonds outstanding in cash at the bonds' nominal amount at any time after the following events occur: the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date following three months of the bonds issue to 40 days before the maturity date.

F. According to the regulations of the conversion, all the Company's collection (including repurchase of securities from the securities firm), repayment or the convertible corporate bonds that have been converted will be registered and the conversion rights are extinguished.

(2) As of December 31, 2018, the nominal value of the convertible corporate bonds is NT$1,000,000 not converted into ordinary shares. After issuance, if the shares of common stock issued increase or the ratio of the current price per share at which cash dividends are distributed exceeds 1.5%, the Company shall adjust the conversion price to NT$54.1 per share in accordance with the formula set out in the terms of issuance.

(3) Regarding the issuance of convertible corporate bonds, the equity conversion options amounting to NT$29,674 as of December 31, 2018 separated from the liability component and were recognized in "capital surplus – stock warrants" in accordance with IAS 32. In addition, the embedded repurchase option and the reverse option are in accordance with IFRS 9 requirements, since the economic characteristics and risks of the principal contract are not closely related, it is separated and accounted for as a net amount of "financial assets and liabilities at fair value through profit or loss". The effective interest rate on the principal contract debts is 1.066%.

(X) Long-term loans

Loan type	Loan Period and Repayment Method	Interest range	Collateral	December 31, 2018
Long-term bank loans				
Credit loans	From 3 August 2018 to 3 August 2020, the principal and the principal amount of the Loan can be repaid on a monthly basis.	0.9378%	None	$ 10,000

Loan type	Loan Period and Repayment Method	Interest range	Collateral	December 31, 2017
Long-term bank loans				
Credit loans	From 26 December 2017 to 26 December 2019, the principal amount of the Loan can be repaid on a monthly basis.	0.9362%	None	$ 90,000

(XI) Other current liabilities and other non-current liabilities

Item	December 31, 2018	December 31, 2017
Current:		
Corporate bonds payable	$ 236,495	$ 247,222
Other current liabilities – Others	13,663	15,492
Advance receipts	-	14,247
Total	$ 250,158	$ 276,961

Item	December 31, 2018	December 31, 2017
Non-current:		
Deferred government grant income	$ 129,924	$ 135,870
Other non-current liabilities – others	94,080	96,032
Total	$ 224,004	$ 231,902

(XII) Pension

1. Starting from July 1, 2005, the subsidiary of the Group, Capital Concord Enterprises Limited Taiwan Branch (H.K.) and the Laya Max Trading Co.,Ltd, formulated defined contribution pension plans in accordance with the Labor Pension Act, which is applicable to employees who are bound by the nationality. For employees who chose to adopt the retirement system provided by the Labor Pension Act, the Company contributes an amount no less than six percent of the worker's monthly wage to the personal retirement pension account set up by the Bureau of Labor Insurance. The retirement pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The pension costs recognized by the Group in accordance with the pension regulations above for 2018 and 2017 were NT$5,018 and NT$4,765 respectively.
2. The Group's subsidiaries of subsidiary in Mainland China are required to contribute a pension insurance fund of 18% to 20% of the total local employees' salaries and wages according to the pension insurance system stipulated by the government of the P.R.C. (Sunny and SunShine is 18%, SunSmile is 19%, Fujian Laya and La Sportiva is 18%~20%). The pension for each employee is managed by the government, hence the Group doesn't have further obligation except for making a monthly contribution. The pension costs recognized by the Group's subsidiaries of subsidiaries according to the said regulations were NT$65,893 and NT$60,859 for the years ended December 31, 2018 and 2017 respectively.
3. The subsidiaries of the Group, Fulgent Sun Footwear Co. and NGOC HUNG Footwear Co., have been bound by the local regulations. A certain percentage of total wage is set aside as pension fund to relevant competent authorities in accordance with the regulations of the local government. The Group has no further obligations beyond the monthly contributions. The pension costs recognized by the Group in accordance with the pension regulations above were NT$81,137 and NT $65,133 for the years ended December 31, 2018 and 2017, respectively.

(XIII) Share-based payment - employee compensation

1. For the years ended December 31, 2018 and 2017, the Group's share-based payment transaction were as follows:

Type of agreement	Grant date	Quantity (thousand shares)	Contract period	Vesting Conditions
First restricted employee shares in 2014	2014.3.21	1,200 units	3 years	Note
Treasury stock transferred to employees	2018.11.08	500 units	-	Vested immediately
Cash capital increase reserved for employee subscription	2018.11.19	900 units	-	Vested immediately

On May 9, 2013, the Board of Directors resolved on the issuance of restricted employee shares. The issuance of restricted employee shares was resolved in the shareholders' meeting on June 21, 2013 and became effective with the approval of the authority in charge from July 4, 2013. The base date of capital increase was March 21, 2014 with the subscription price per share of NT$0. A total of 1,200 thousand shares of common stock were issued. The right to transfer shares is prohibited before employees meet the vested conditions, while the remaining rights and obligations are the same as those of common stock issued.

Note: Employees who are granted restricted employee shares will receive new shares based on the following schedule and the percentage of shares granted if they are working for the Group before the expiration:

Expiration	Percentage of Shares Granted
Working for one year after being granted	30%
Working for two years after being granted	30%
Working for three years after being granted	40%

Except for inheritance, employees are not allowed to transfer the said restricted employee shares issued by the Group in the vesting period; however, employees are not restricted from voting or distribution of dividends. If employees resign during the vesting period, they shall return their shares without returning the dividends already obtained.

2. Detailed information on the said share-based payment arrangements is as follows:

First restricted employee shares in 2014

	2018	2017
	Quantity (1000 Shares)	Quantity (1000 Shares)
Restricted employee shares, beginning of year	-	1,012
Vesting in the period	-	(1,008)
Cancellation of restricted employee shares	-	(4)
Restricted employee shares, end of year	-	-

3. For the share-based payment transaction granted by the Group, its fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Unit: NT$

Type of agreement	Grant date	Weighted average share price	Exercise price	Expected price volatility	Expected lifetime	Expected dividends	Risk-free interest rate	Fair value per unit
Plan of new restricted employee shares	2014.03.21	$ 37.2	$ 37.2	27.50% ~42.19% (Note)	1~3 years	-	0.55% 0.82%	33.24 28.76 27.82
Treasury stock transferred to employees	2018.11.08	45.35	36.04	23.82% (Note)	0.04 years	-	0.43%	9.32
Cash capital increase reserved for employee subscription	2018.11.19	47.05	38.5	23.92% (Note)	0.14 years	-	0.42%	8.59

Note: Price volatility refers to the volatility of stock prices in the coming period and is calculated based on the standard deviation of stock returns over a specific period

4. The expense arising from the share-based payment transaction is as follows:

	2018	2017
Equity delivery	$ 12,391	$ 621

(XIV) Share Capital

1. As of December 31, 2018, the Company's authorized capital was NT$2,000,000 and divided into 200,000 thousand shares. Paid-in capital was NT$1,462,735 and the face value per share was NT$10.

The Company's outstanding common stock at the beginning and end of periods were reconciled as follows:

Unit: thousand shares

	2018	2017
January 1	146,197	138,095
Cancellation of restricted employee shares	-	(4)
Convertible corporate bonds exercised	77	8,106
December 31	146,274	146,197

2. Treasury stock

(1) The reason for share re-acquisition and movements in the number of treasury stock are as follows:

Name of company holding shares	Reason for reclamation Shares	December 31, 2017	
		Number of shares (thousand shares)	Carrying Amount
The Company	Transferred to Employees	500	$ 32,824

(2) According to the Securities and Exchange Act, the number of shares redeemed as treasury stock shall not exceed 10% of the number of the Company's issued and outstanding shares, and the amount redeemed shall not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(3) The treasury stock held by the Company shall not be pledged as collateral under the Securities and Exchange Act, and shall not be entitled to shareholders' right before the transfer.

(4) According to the Securities and Exchange Act, treasury stock redeemed due to transfer of shares to employees shall be transferred within three years from the date of redemption. Shares not transferred by the said deadline will be considered unissued and shall be retired.

(XV) Capital Surplus

1. According to the Company Act, surplus from issuance of shares in excess of the par value and the capital surplus received from gifts, except for covering deficit, when there is no accumulated deficit, the Company shall issue new shares or cash in proportion to the shareholders' original shares. According to the relevant provisions of the Securities Exchange Act, for allocated capital

from additional paid-in capital surplus, its maximum not exceed the limit of 10% of the paid-up capital each year. The Company shall not offset the loss from capital surplus when the Company is not in a surplus reserve.

2. Movements of capital surplus are as follows:

	2018				
	Share Premium	Share Options	Restricted employee shares	Others	Total
January 1	$ 3,308,664	$ 8,985	$ 18,796	$ -	$ 3,336,445
Capital increase by cash	-	7,731	-	-	7,731
Common stock converted from convertible bonds	3,417	(147)	-	-	3,270
Recognized equity components due to the issuance of convertible corporate bonds - stock options	-	29,674	-	-	29,674
Reversal of share options lapsed	-	(357)	-	357	
December 31	$ 3,312,081	$ 45,886	$ 18,796	$ 357	$ 3,377,120

	2017				
	Share Premium	Share Options	Restricted employee shares	Others	Total
January 1	$ 2,937,546	$ 24,976	$ 18,864	$ 9,130	$ 2,990,516
Restricted employee shares compensation	-	-	(110)	-	(110)
Cancellation of restricted employee shares compensation	-	-	42	-	42
Common stock converted from convertible bonds	371,118	(15,991)	-	-	355,127
Recognized Changes in ownership interests in subsidiaries	-	-	-	(9130)	(9,130)
December 31	$ 3,308,664	$ 8,985	$ 18,796	$ -	$ 3,336,445

(XVI) Retained Earnings

1. According to the Company's Articles of Incorporation, the distribution of earnings shall be resolved by the Board of Directors and adopted in the shareholders' meeting. (1) The current year’s earnings, if any, shall first be used to offset the prior year’s operating losses, and then 10% of the remaining amount shall be set aside as legal surplus reserve unless the accumulated legal surplus reserve has reached an amount equal to the Company’s capital. (2) Special surplus reserve shall be set aside according to the regulations for listed companies or the requirements of the authority in charge. (3) No more than 3% of the balance may be set aside as directors’ remuneration and no more than 3% of the balance as employees’ bonuses for the Company and its subsidiaries.

2. The allocation of dividends to shareholders shall not be less than 2% of the remaining balance of the current year after deducting item (1) and (2), and the cash dividends shall not be less than 10% of the dividend for the current year.

3. According to the Company's Articles of Incorporation, except for realized or unrealized profit, share issue premium account, or other distribution or amounts as permitted by the Cayman Islands Law, the Company shall not distribute dividends or other amounts as a distribution. However, if the legal surplus reserve exceeds 25% of the paid-in capital, only legal reserve is allowed for the above distribution, and is only limit to legal surplus reserve that exceeds 25% of the paid-in capital.

4. (1) In accordance with the regulations, the Company shall set aside special surplus reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) The amounts previously set aside by the Company as special surplus reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

5. The distribution of 2017 earnings was adopted in the shareholders' meeting on June 8, 2018 and the distribution of 2016 earnings was adopted in the shareholders' meeting on June 15, 2017. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Statutory surplus reserve	$ 80,311		$ 70,226	
Special surplus reserve	201,766		33,764	
Cash Dividends	599,554	$ 4.1	456,829	$ 3.3
Total	$ 881,631		$ 560,819	

6. The Company's earnings per share for 2017 and 2016 were not affected by the Company's convertible corporate bonds, and the Company has not transferred the shares to employees and the employees who were yet to be transferred to the new restricted employee shares. The Board of Directors resolved to adjust the shareholders' dividend payout ratio of NT$4.11 and NT$3.19 per share on June 8, 2018 and June 8, 2017, respectively.

   Information on the distribution of the Company's earnings as proposed by the Board of Directors and resolved in the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

7. For information on employee bonus and directors' remuneration, please refer to Note 6 (21).

(XVII) Operating Revenue

	2018
Revenue from Contracts with Customers	$ 10,070,151

1. Breakdown of revenue from contracts with customers

   The Group's revenue is derived from the merchandise transferred at a point of time, and revenue is subject to the business breakdown and the relevant information for disclosure is detailed in Note 14 (2).

2. Contract liabilities

The contract liabilities in relation to contract with customers recognized by the Group are as follows:

	December 31, 2018
Contract liabilities – advance from customers	$ 27,619

3. Please refer to Note 12 (5) for disclosure of the Company's operating revenue in 2017. Adopt IFRS 15 to streamline transitional requirements.

(XVIII) Other income

	2018	2017
Interest income: bank deposit interest	$ 11,187	$ 8,135
Government grants	11,717	14,821
Other income – Others	34,188	46,296
	$ 57,092	$ 69,252

(XIX) Other gains and losses

	2018	2017
Loss on disposal of property, plant and equipment	($ 40,867)	($ 955)
Foreign exchange gains (losses)	115,884	(162,078)
Loss (gain) on financial assets and liabilities at fair value through profit or loss	(2,701)	2,572
Other losses	(11,076)	(4,397)
	$ 61,240	($ 164,858)

(XX) Finance cost

	2018	2017
Interest expenses:		
Bank loans	$ 17,173	$ 9,226
Convertible corporate bonds	5,725	6,195
	$ 22,898	$ 15,421

(XXI) Expenses expressed in nature

	2018	2017
Employee benefits expense		
Salary costs	$ 3,197,368	$ 2,887,223
Labor and health insurance premiums	106,169	85,645
Pension expense	152,048	130,757
Other personnel cost	61,023	52,790
	3,516,608	3,156,415
Depreciation expense	518,911	465,878
Amortization expense	29,872	27,299
	$ 4,065,391	$ 3,649,592

1. According to the Articles of Incorporation, the Company may make appropriation to no more than 3% of the remaining balance as a director's remuneration and no more than 3% of the remaining profits as employee bonus in distribution of earnings.

2. The Company's employee bonus estimates for 2018 and 2017 were NT$10,000 and NT$5,000 respectively; the estimated amount of directors' compensation was NT$10,000 and 5,000, respectively, and the amounts stated above were recognized in the operating expenses account. The above-mentioned employee bonus and directors' remuneration are calculated based on the net profit after tax as of the current period. After taking into account factors such as statutory surplus reserve, the percentage of the prescribed surplus shall be based on the percentage of the prescribed earnings.

The Company's 2017 employee bonus and directors' remuneration are consistent with the amounts recognized in the financial statements for the year ended December 31, 2017.

Information on employee bonus and directors' remuneration as approved by the Board of Directors can be found on the Market Observation Post System (MOPS).

(XXII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2018	2017
Current income tax:		
Income tax incurred during the period	$ 208,723	$ 182,345
Tax on undistributed surplus earnings	57	59
Underestimation(Overestimation) of prior year's income tax	(2,344)	14,240
Total income tax in the period	206,436	196,644
Deferred income tax:		
Originatio006E and reversal of temporary differences	(13,438)	27,176
Effect of tax rate changes	(462)	-
Total deferred income tax	(13,900)	27,176
Income tax expense	$ 192,536	$ 223,820

(2) Reconciliation between income tax expense and accounting profit:

	2018	2017
Income tax expense at the statutory rate(Note)	$ 288,771	$ 204,525
Tax effect of project income tax deduction from project	2,116	19,113
Tax exempted income by tax regulation	(90,198)	(33,127)
Underestimation(Overestimation) of prior year's income tax	(2,344)	14,240
Tax effect of unrecognized deferred income tax assets	(5,404)	19,010
Tax on undistributed surplus earnings 10%	57	59
Effect of tax rate changes	(462)	-
Income tax expense	$ 192,536	$ 223,820

Note: The applicable tax rate is based on the tax rate applicable in the country concerned.

2. The amounts of deferred tax assets or liabilities arising from temporary differences and taxable loss are as follows:

	2018		
	January 1	Recognized in profit or loss (Note)	December 31
Temporary differences:			
– Deferred income tax assets:			
Allowance for inventory valuation and obsolescence loss	12,921	2,124	15,045
Deductible loss	12,954	(3,642)	9,312
Deferred income tax paid	29,904	382	30,286
Others	5,444	(355)	5,089
Subtotal	$ 61,223	($ 1,491)	$ 59,732
– Deferred income tax liabilities			
Foreign long-term investment income	($ 15,255)	$ 15,255	$ -
Unrealized selling gross profit	(67)	67	-
Others	(1,014)	69	(945)
Subtotal	($ 16,336)	$ 15,391	($ 945)
Total	$ 44,887	$ 13,900	$ 58,787

Note: Includes the impact of tax rate changes.

	2017		
	January 1	Recognized in Profit or Loss	December 31
Temporary differences:			
– Deferred income tax assets:			
Allowance for inventory valuation and obsolescence loss	$ 21,457	($ 8,536)	$ 12,921
Deductible loss	18,725	(5,771)	12,954
Deferred income tax paid	30,955	(1,051)	29,904
Others	5,340	104	5,444
Subtotal	$ 76,477	($ 15,254)	$ 61,223
– Deferred income tax liabilities			
Foreign long-term investment income	$ -	($ 15,255)	($ 15,255)
Unrealized exchange gains	(2,201)	2,201	-
Unrealized selling gross profit	(1,124)	1,057	(67)
Others	(1,089)	75	(1,014)
Subtotal	($ 4,414)	($ 11,922)	($ 16,336)
Total	$ 72,063	($ 27,176)	$ 44,887

3. Deferred tax liabilities have not been recognized in respect of the temporary differences associated with investments in subsidiaries and deferred tax liabilities of NT$1,300,035 and NT$1,073,089 as of December 31, 2018 and 2017, respectively.

4. The subsidiary - Capital Concord Enterprises Limited Taiwan Branch(H.K.) and the second-tier subsidiary - Laya Max Trading Co., Ltd, which applied for business income tax settlement and are approved by the tax authority to 2016.

5. The amendments to the Income Tax Act of Taiwan have become effective on February 7, 2018, which amendments raise the profit-seeking enterprise income tax rate from 17% to 20% and are applicable from 2018. The Group has assessed the impact on income tax from such tax rate changes.

(XXIII) Earnings Per Share

	2018		
	Income after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per Share (NT$)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 743,001	$ 145,787	$ 5.10
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	743,001	145,787	
Assumed conversion of all dilutive potential ordinary shares			
convertible bond	5,725	9,392	
Employees' compensation	-	265	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 748,726	$ 155,444	$ 4.82

	2017		
	Income after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per Share (NT$)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 803,113	$ 142,051	$ 5.65
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	803,113	142,051	
Assumed conversion of all dilutive potential ordinary shares			
convertible bond	6,195	4,678	
Restricted employee shares compensation	-	52	
Employees' compensation	-	102	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 809,308	$ 146,883	$ 5.51

(XXIV) Transactions with non-controlling interests

1. Cash capital increase by the subsidiary, the Group failed to subscribe for the shares in proportion to its shareholding percentage

   The Group's subsidiary - Chi Long Co., Ltd. issued new shares on August 31, 2017 and November 30, 2017. The Group did not subscribe for the shares in proportion to its shareholding ratio, thereby increasing 3.77% of the equity interest. The transaction increased the non-controlling interests of NT$16,326 and the equity attributable to owners of the parent company decreased by NT$16,326. The impact of interest changes of Chi Long Co., Ltd. on the equity attributable to the owner of the parent company in the year 2017 is as follows:

	2018	2017
Retained Earnings	$ -	$ 7,196
Increase in the carrying amount of non-controlling interests	-	(16,326)
Capital surplus – changes in ownership of subsidiaries	$ -	($ 9,130)

2. The Group has not transacted with its non-controlling interests for the year 2018.

(XXV) Operating leases

Based on the Group' subsidiary operating lease, the future accrued rent payable under the lease is:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 25,939	$ 24,508
More than 1 year but no more than 5 years	91,267	89,401
Over 5 years	135,785	136,793
	$ 252,991	$ 250,702

(XXVI) Supplementary Information on Cash Flow

1. Investing activities with partial cash payments:

	2018	2017
Additions to property, plant and equipment	$ 1,101,507	$ 742,789
Less: Prepayments for equipment at the beginning of the period	(38,530)	(37,642)
Add: Prepayments for equipment at the end of the period	52,090	38,530
Add: Payables for equipment at the beginning of the period	117,696	77,613
Less: Payables for equipment at the end of the period	(267,378)	(117,696)
Cash paid in the period	$ 965,385	$ 703,594

2. Financing activities that do not affect cash flow:

	2018	2017
Share capital converted from convertible corporate bonds	$ 762	$ 81,061

(XXVII) Changes in liabilities arising from financing activities

	Short-term loans	Long-term loans	Convertible corporate bonds (Note)	Total liabilities from financing activities
January 1, 2018	$ 871,857	$ 90,000	$ 247,222	$ 1,209,079
Changes in cash flows from financing activities	177,167	(82,888)	996,135	1,090,414
Other non-cash current	-	-	(35,837)	(35,837)
Effect of foreign exchange rate changes	28,240	2,888	-	31,128
December 31, 2018	$ 1,077,264	$ 10,000	$ 1,207,520	$ 2,294,784

Note: including portion due within one year

VII. Related Party Transactions

Key management compensation

	2018	2017
Short-term employee benefits	$ 70,675	$ 38,662
Share-based payment	6,299	368
Total	$ 76,974	$ 39,030

VIII. Pledged Assets

Assets	Carrying Amount December 31, 2018	Carrying Amount December 31, 2017	Guarantee use
Land	$ 109,809	$ 106,394	Short-term loans
Buildings	175,252	174,217	Short-term loans
Other financial assets (listed other non-current assets)	412	370	Deposits for leased land
Refundable deposits (listed other non-current assets)	5,294	5,226	Deposits for leased land and other
	$ 290,767	$ 286,207	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

Commitments

(I) Capital expenditure contracted but not yet incurred:

	Contract Price December 31, 2018	Contract Price December 31, 2017
Property, Plant and Equipment	$ 939,180	$ 531,592

	Unpaid Price December 31, 2018	Unpaid Price December 31, 2017
Property, Plant and Equipment	$ 560,348	$ 103,512

(II) For operating lease agreements, please refer to Note 6 (25).

X. Significant Disaster Losses

None.

XI. Significant Events After The Balance Sheet Date

The Company issued 6,000 thousand stocks for capital increase in 2018. The Company decided to issue NT$38.5 per share on November 19, 2018. The total amount of the issue was NT$231,000 thousand. The entire issued share capital has been fully received by the Company on 11 January 2019. The base date for the capital increase was set on January 11, 2019.

XII. Others

(I) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans working capital, research and development expenses and dividends to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure, so as to provide returns for shareholders and uphold the interests of related parties, and maintain the best capital structure to increase shareholder's value for long period. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or cash to shareholders, or repurchase shares.

The Group monitors its funds by regularly reviewing its asset-to-debt ratio. The Group's capital is the "total equity" as shown in the balance sheet and is also equal to total assets less total liabilities. The Group's asset-to-debt ratios as at December 31, 2018, and 2017 are stated as below:

	December 31, 2018	December 31, 2017
Total Liabilities	$ 4,586,052	$ 3,173,648
Total Assets	$ 11,123,668	$ 9,417,281
Debt ratio	41.23%	33.70%

(II) Financial Instruments

1. Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at FVTPL	$ 1,854	$ -
Financial assets held for trade	$ -	$ 1,284
Financial assets available for sale		
Financial assets available for sale	$ -	$ 2,908
Financial assets/loans and receivables measured at amortized cost		
Cash and cash equivalents	$ 1,313,073	$ 1,068,037
Notes receivable	-	9
Accounts receivable	2,140,291	1,874,185
Other receivables	190,803	120,445
	$ 3,644,167	$ 3,062,676

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as measured at fair value through profit or loss	$ 5,500	$ -
Financial liabilities measured at amortized cost		
Short-term loans	$ 1,077,264	$ 871,857
Notes payable	-	4,642
Accounts payable	1,010,680	901,815
Corporate bonds payable (including one year or one operating cycle)	1,207,520	247,222
Long-term borrowings (including one year or one operating cycle)	10,000	90,000
	$ 3,305,464	$ 2,115,536

2. Risk management Policies

(1) The Group's financial risk management objectives are to manage exchange rate risk, price risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to minimize the relevant financial risks, the Group is committed to identify, assess and avoid market uncertainties in order to minimize the potential adverse effects on the financial performance of the Company.

(2) The Group's important financial activities are reviewed by the Board of Directors and the Audit Committee according to relevant regulations and the internal control system. During the financial plan, the Group must comply with the relevant financial operations procedures in relation to the overall financial risk management and segregation of duties.

(3) For the information on derivative instruments to avoid financial risks, please refer to Note 6 (2).

3. Nature and degree of significant financial risks

(1) Market risk

Exchange rate risk

A. The Group is a multinational operation and is exposed to exchange rate risk arising from transactions with different functional currencies by the Company and its subsidiaries, which is mainly the United States dollars and RMB, and is the Vietnamese Dong. The relevant exchange rate risk arises from future commercial transactions and recognized assets and liabilities and net investments in foreign operations.

B. To avoid the decrease in foreign currency assets and future fluctuations in cash flows caused by exchange rate movements, the

Group uses derivative financial instruments to hedge the exchange rate risk. This kind of derivative financial instruments can be used to assist the Group in reducing but not entirely eliminate the impact of foreign currency exchange rate movements, please refer to Note 6 (2).

C. The Group's business involves the use of various non-functional currencies (the Company and some subsidiaries' functional currency is NTD, whereas some subsidiaries' functional currency is RMB or USD and VND); as a consequence, it is subject to exchange rates fluctuation. Assets and liabilities that are denominated in foreign currencies and significantly affected by exchange rates fluctuation and market risk are as follows:

	December 31, 2018								
						Sensitivity Analysis			
(Foreign currency: functional currency)		Foreign currency (in thousands)	Exchange rate		Carrying Amount	Range of change		Impact on Profit and Loss		Impact on Other Comprehensive Income
Financial assets										
Monetary items										
US$: RMB	$	6,431	6.8683	$	197,814	5%	$	9,891	$	-
RMB: US$		27,999	0.1456		125,210	5%		6,261		-
Financial liabilities										
Monetary items										
US$: RMB	$	2,988	6.8683	$	91,925	5%	$	4,596	$	-
NT$: US$		912,348	0.0326		912,348	5%		45,617		-

	December 31, 2017									
						Sensitivity Analysis				
(Foreign currency: functional currency)		Foreign currency (in thousands)	Exchange rate		Carrying Amount	Range of change		Impact on Profit and Loss		Impact on Other Comprehensive Income
Financial assets										
Monetary items										
US$: RMB	$	11,201	6.5067	$	332,694	5%	$	16,635	$	-
NT$: US$		31,310	0.0336		31,310	5%		1,566		-
Financial liabilities										
Monetary items										
US$: RMB	$	3,436	6.5067	$	102,046	5%	$	5,102	$	-
NT$: US$		644,997	0.0336		644,997	5%		32,250		-

D. The Group's monetary items have significant influence on the recognized exchange gains and losses in 2018 and 2017 due to exchange rate fluctuation (including realized and unrealized), The aggregate amount is gains of NT$115,884 and losses of NT$162,078 respectively.

<u>Price risk</u>

A. The Group’s equity instruments that are exposed to price risk are those that are held at fair value through profit or loss and available-for-sale financial assets. To manage the price risk of investments in equity instruments, the Group diversifies its portfolio with its diversification method based on limits set by the Group.

B. The Group’s investments in equity instruments comprise domestic publicly quoted entity and the price of these equity instruments are affected by uncertainties in the future value of the investment target. If the price of these equity instruments had been 5% higher or lower, and all other variables were held constant, the Group’s profit after tax for 2018 would increase or decrease by NT$93 from equity instruments measured at fair value through profit or loss, respectively. For 2017, the impact of shareholders' equity that were classified as available-for-sale equity instruments increased or decreased by NT$145, respectively.

<u>Cash flow and fair value interest rate risk</u>

A. The Group’s interest rate risk arises primarily from short-term borrowings and long-term borrowings issued at variable rates, which expose the Group to cash flow interest rate risk. For the 2018 and 2017, the Group’s borrowings issued at variable interest rates were mainly denominated in NTD and USD.

B. The Group's borrowings are measured at amortized cost and are re-priced according to the contractual interest rates and therefore the Group is exposed to the risk of changes in future market interest rates.

C. If the loan interest rate has been increased or decreased by 0.1%, the profit after tax for 2018 and 2017 will be reduced or increased by NT$866 and NT$792, respectively, due to the changes in interest expenses caused by the floating interest rate borrowings.

(2) Credit risk

A. The Group's credit risk is primarily attributable to the Group's financial loss from customers or financial instruments' counterparty is unable to fulfill contractual obligation. The main reason is that the counterparty is unable to settle the accounts receivable paid on receiving condition.

B. The Group has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. Internal risk control is evaluated by considering its financial position, past experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings, and the utilization of credit line is regularly monitored. The principal credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits at banks and financial institutions as well as credit risks from customers, including uncollected accounts receivable. For banks and financial institutions, only institutions with a good credit rating will be accepted as trading partners.

C. The following assumptions are made based on IFRS 9 as to determine whether the credit risk of financial instruments since initial recognition has increased significantly by the following:

Where the contract payments are overdue for more than 30 days in accordance with stipulated payment terms, the credit risk is significantly increased after the financial assets are initially recognized.

D. When the investment target for the independent credit rating has been lowered for two grades, the Group has determined that the credit risk of the investment target is significantly increased.

E. Based on the assumptions made according to IFRS 9, it is deemed as contract violation when the contractual payments are overdue for more than 365 days in accordance with stipulated payment terms.

F. The Group has classified customers' accounts receivable on the characteristics of customers' ratings and adopts simplified approach to estimate expected credit losses based on reserve matrix.

G. After the recourse process, the Group writes off the recoverable financial assets that cannot be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor’s rights. The Group has no creditors' rights that has been written off but still can be recoursed as of 31 December 2018 and 2017.

H. The Group adjusted the loss rate that is established on the history of certain period and current information for perspective consideration in order to estimate the loss allowance for accounts receivable. The reserve matrix as of December 31, 2018 was as follows:

December 31, 2018	Expected loss rate	Total carrying amount	Loss allowance
Not past due	0.00%	$ 2,030,828	$ -
0~90 days past due	1.12%	110,491	1,237
90~180 days past due	25.90%	139	36
181~365 days past due	77.64%	474	368
Over 365 days past due	100.00%	1,989	1,989
Total		$ 2,143,921	$ 3,630

I. Changes in loss allowance for accounts receivables using the simplified approach are stated as follows:

	2018 Accounts receivable
At January 1_IAS 39	$ 2,749
Adjustments under new standards	-
At January 1_IFRS 9	2,749
Provision of impairment loss	802
Effect of Exchange	79
December 31	$ 3,630

(3) Liquidity risk

A. The cash flow forecast is performed by each operating entity of the Group and compiled by the Group's treasury. The Group's treasury monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

B. The Group's treasury invests surplus cash in interest-bearing demand deposits and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasts.

C. For the years ended December 31, 2018 and 2017, the Group has unused borrowing facilities of NT$ 2,332,099 and $2,057,494 respectively.

D. The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and the remaining period at the balance sheet date to the expected maturity date for derivative financial liabilities. The amounts of contractual cash flows disclosed in the table below are the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2018	Less than 6 Months	7~12 months	1~2 Year(s)	2~5 Year(s)	More than 5 years
Short-term loans	$ 828,944	$ 251,675	$ -	$ -	$ -
Accounts payable	1,010,680	-	-	-	-
Other payables	878,180	42,568	10,596	-	-
Corporate bonds payable	237,600	-	-	1,000,000	-
Long-term loans	-	-	10,094	-	-

Non-derivative financial liabilities:

December 31, 2017	Less than 6 Months	7~12 months	1~2 Year(s)	2~5 Year(s)	More than 5 years
Short-term loans	$ 772,812	$ 100,436	$ -	$ -	$ -
Notes payable	4,642	-	-	-	-
Accounts payable	901,815	-	-	-	-
Other payables	633,098	27,427	5,017	29	-
Corporate bonds payable	1,635	250,065	-	-	-
Long-term loans	-	-	91,671	-	-

(III) Fair value information

1. Below states the definition of different levels of valuation techniques used to measure the fair value of financial and non-financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in convertible corporate bonds is included in Level 3.

2. Financial instruments not measured at fair value

(1) The carrying value of the cash and cash equivalents, bills receivable, accounts receivable, other receivables, short-term loans, bills payable, accounts payable and other payables is reasonable approximation of their fair value (except those stated in the following table), the interest rate of long-term loans (including those overdue within one year or one the operating cycle) is close to the market interest rate. Hence, the carrying amount should be a reasonable basis for estimating fair value:

	December 31, 2018	
	Carrying Amount	Fair value Level 3
Corporate bonds payable	$ 1,207,520	$ 1,210,950

	December 31, 2017	
	Carrying Amount	Fair value Level 3
Corporate bonds payable	$ 247,222	$ 248,507

(2) The methods and assumptions used for estimating fair values are as follows:

Convertible bonds payable: The coupon rate of convertible corporate bonds issued by the Group is similar to the market rate, so the fair value is measured at the discounted value of expected cash flows, which is equivalent to the carrying amount.

3. The Group categorizes financial and non-financial instruments measured at fair value on the basis of the nature, characteristics, risks and fair value of the assets and liabilities. The related information is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Asset				
Recurring fair value				
Financial assets (liabilities) measured at fair value through profit or loss				
- Stocks of listed companies	$ 1,854	$ -	$ -	$ 1,854
Redemption right of convertible corporate bonds	-	-	(5,500)	(5,500)
Total	$ 1,854	$ -	($ 5,500)	($ 3,646)

December 31, 2017	Level 1	Level 2	Level 3	Total
Asset				
Recurring fair value				
Financial assets at fair value through profit or loss				
-Forward exchange contracts	$ -	$ 957	$ -	$ 957
Redemption right of convertible corporate bonds	-	-	327	327
Financial assets available for sale				
-Equity securities	2,908	-	-	2,908
Total	$ 2,908	$ 957	$ 327	$ 4,192

4. The methods and assumptions the Group used to measure the fair value are as follows:

   (1) For the Level 1 instruments which the Group used market quoted prices as their fair values and which are listed stocks by characteristics, their closing prices were used as market quoted prices.

   (2) Forward exchange contracts are usually valuated based on the current forward exchange rate.

5. There were no transfers between Level 1 and Level 2 in 2018 and 2017.

6. The following table presents changes in Level 3 in 2018 and 2017:

	2018	2017
	Non-derivative Equity Instruments	Non-derivative Equity Instruments
January 1	$ 327	$ 420
Gain or loss on the recognized profit or loss (Note)	(815)	869
Transferred in the period	(12)	(962)
Issued in the period	(5,000)	-
December 31	($ 5,500)	$ 327

Note: Recognized in other gains and losses.

7. Valuation process regarding fair value Level 3 is conducted by the Group's treasury, by which the independence of fair value of financial instruments is verified though use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g. calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.

8. Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship of inputs to fair value
Hybrid Instruments: Corporate bond redemption right	($ 5,500)	Binomial Tree Valuation Model	Volatility	24.23%	The higher the volatility, the higher the fair value

	Fair value as of December 31, 2017	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship of inputs to fair value
Hybrid Instruments: Corporate bond redemption right	$ 327	Binomial Tree Valuation Model	Volatility	23.66%	The higher the volatility, the higher the fair value

9. The Group elects to adopt the valuation model and valuation parameters through cautious assessment. Nonetheless, using different valuation models or valuation parameters may lead to different valuation results. The following is the effect on profit or loss from financial assets and liabilities categorized in Level 3 if the inputs used to valuation models have changed:

			December 31, 2018	
			Recognized in Profit or Loss	
	Input	Change	Favorable change	Unfavorable change
Financial liabilities Hybrid instruments	Volatility	±5%	$ 600	($ 900)

			December 31, 2017	
			Recognized in Profit or Loss	
	Input	Change	Favorable change	Unfavorable change
Financial assets Hybrid instruments	Volatility	±5%	$ 227	($ 176)

(IV) Effects of initial application of IFRS 9 and information on application of IAS 39 in 2017

1. The significant accounting policies adopted in 2017 are set out below:

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

A. Financial assets at fair value through profit or loss refer to financial assets held for trading or financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value, and related transaction costs are recognized in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss

(2) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

B. The Group adopts trade date accounting to available-for-sale financial assets that are purchased or sold in a regular way.

C. Financial assets available for sale are initially recognized at their fair value plus transaction costs and subsequently remeasured and stated at fair value, and changes in fair value are recognized in other comprehensive income.

(3) Accounts receivable

Accounts receivable that are originally incurred are receivables from customers for merchandise sold or services rendered in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term receivables without interest payment, given insignificant effects of their discount, are subsequently measured at the original invoice price.

(4) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events (loss events) that has occurred after the initial recognition of the asset and that the impact from those loss events on the estimated future cash flows of the financial assets can be estimated reliably.

B. The Group uses the following policies for determining whether objective evidence of impairment loss exists:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group grants the debtor a concession that cannot be otherwise considered due to the economic or legal reasons relating to the financial difficulty of the debtor;

(D) The probability that the debtor will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for the individual financial assets in the group, including adverse changes in the payment status of debtors in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows in accordance with the category of financial assets:

(A) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". Impairment losses recognized in profit or loss for equity instruments are not reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset.

(5) Derivative financial instruments

Derivatives are initially recognized at the fair value on the date when contracts are signed and subsequently measured at fair value with fair value changes recognized in profit or loss.

2. The reconciliation of financial assets book value prepared under IAS 39 since December 31, 2017 is transferred to the amount under IFRS 9 starting from January 1, 2018 is stated as follows:

	At fair value through profit or loss	Available-for-sale - equity	Retained Earnings	Other Equity
IAS39	$ -	$ 2,908	$ -	$ 422
Transfer through profit or loss				
At fair value	2,908	(2,908)	422	(422)
IFRS 9	$ 2,908	$ -	$ 422	$ -

Equity instruments classified as available-for-sale financial assets in IAS 39 were NT$2,908, the financial assets at fair value through profit or loss (equity instruments) were increased to NT$2,908; Retained earnings increased NT$422 and other equity decreased NT$422.

3. The important accounting projects as of December 31, 2017 are described below:

(1) Financial assets (liabilities) measured at fair value through profit or loss

Item	December 31, 2017
Current item:	
Financial assets held for trade	
Redemption of convertible corporate bonds and trading of options (Note 6(9))	$ 327
-Forward exchange contracts	957
	$ 1,284

A. Transactions and contract information relating to non-hedging derivative financial assets are described below:

	December 31, 2017	
Derivative financial assets	Contract Amount (Nominal Principal)	Maturity
Forward foreign exchange contracts	US$1,000,000	2018.2.22

The Group purchased forward (by selling USD to buy RMB) to avoid exchange rate risks arising from import and export; however, hedge accounting was not applied. In 2017, the profit and loss recognized on gain was NT$1,703.

B. Redemption of convertible corporate bonds held by the Group and the put option recognized as gain on the sale of the option in 2017 were NT$869.

C. The Group did not pledge the financial assets at fair value through profit or loss as collateral.

(2) Available-for-sale financial assets

Item	December 31, 2017
Non-current item:	
Shares of publicly listed companies	$ 2,486
Adjustment of valuation	422
Total	$ 2,908

The Group recognized the gain and loss on available-for-sale financial assets for the 2017 at the fair value through other comprehensive income were NT$727.

4. The following is a summary of the credit risk information as of December 31, 2017:

   (1) Credit risk refers to the risk of financial loss to the Company arising from default by customers or counterparties of financial instruments on the contract obligations. The Group has established a specific internal credit policy, which requires entities within the Group to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions for payments and delivery. Internal risk control is evaluated by considering its financial position, past experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings, and the utilization of credit line is regularly monitored. The principal credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits at banks and financial institutions as well as credit risks from customers, including uncollected accounts receivable. For banks and financial institutions, only institutions with a good credit rating will be accepted as trading partners.

   (2) The credit limit had not been exceeded in 2017, and management didn’t expect any significant loss resulting from the default of a counter party.

5. The Group's accounts receivable is not overdue or impaired. The credit quality of the Group based on the credit standards is as follows:

	December 31, 2017
Group A	$ 1,145,388
Group B	499,647
Group C	132,839
	$ 1,777,874

Note: Group A: The line of credit for shipment is more than US$3 million.

Group B: The line of credit for shipment is more than US$1 million but less than US$3 million.

Group C: The line of credit for shipment is less than US$1 million.

6. The aging analysis of financial assets overdue but not impaired is described below:

	December 31, 2017
≦90 days	$ 92,542
91-120 days	130
121-180 days	3,780
181-365 days	1,329
>365 days	1,598
Total	$ 99,379

The ageing analysis above was based on the number of days overdue.

7. The changes of allowance for bad debts for the Group's accounts receivable of 2017 is as follows:

	2017		
	Impairment loss on individual assessment	Impairment loss on group assessment	Total
January 1	$ -	$ 715	$ 715
Provision for impairment loss	-	2,125	2,125
Effect of Exchange	-	(91)	(91)
December 31	$ -	$ 2,749	$ 2,749

(V) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

1. Critical accounting policies regarding revenue recognition for the annual period ended 2017 are states as follows:

   Sales Revenue

   The Group produces and sells outdoor shoes and sports shoes and related products. Revenue is measured at the fair value of the consideration received or receivable, taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue is recognized when the goods are delivered to the buyer, the amount of sales can be measured reliably and the future economic benefits are expected to flow to the enterprise. Goods are deemed delivered only when significant risks and rewards of ownership of the goods are transferred to customers, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and customers accept the goods in accordance with the selling contract, or when any objective evidence suggests that all acceptance clauses have been satisfied.

2. The revenue recognized in the above accounting policy of the Group 2017 was NT$10,388,151.

3. If the Group continues to apply the above accounting policies in 2018, the impact on any single item of the balance sheet and the statement of comprehensive income of the current period are as follows:

	December 31, 2018		
Balance sheet item	Balance recognized in IFRS 15	Balance recognized in the original accounting policy	Effect of changes in accounting policy
Liabilities:			
Unearned sales revenue	-	27,619	(27,619)
Contract liabilities	27,619	-	27,619

Note: There is no impact on the statement of comprehensive income.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

1. Capital loans to others: None.
2. Endorsements and guarantees: Please refer to Appendix Table 1.

3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Appendix Table 2.

4. Acquisition or sale of the same securities with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more: Please refer to Appendix 3.

5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

7. Purchases from and sales to related parties reaching NT$ 100 million or 20% of paid-in capital: Please refer to Appendix Table 4.

8. Receivable from related parties reaching NT$ 100 million or 20% of the paid-in capital: Please refer to Appendix Table 5.

9. For derivatives transactions: Please refer to Note 6 (2) and Note 12 (3).

10. Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Appendix Table 6.

(II) Information of business re-invested

Name, Location, and Information on Investee Companies (not Including Investee Companies in China): Please refer to Appendix Table 7.

(III) Information on investment in Mainland China

1. Basic information: Please refer to Appendix Table 8.

2. Significant transactions between the Company and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Note 13 (1).

XIV. Operating segment information

(I) General Information

The principal business of the Company and its subsidiaries is the production and sales of sports and leisure outdoor shoes. The Group's Board of Directors is the operating decision maker, which allocates resources and assesses performance of the Group as a whole. The Group's management has identified the operating segments based on the reports reviewed by the Board of Directors that are used to make decisions.

The Group’s company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(II) Department information

The financial information of reportable segments provided to chief operating decision maker is as follows:

	2018			
	Production and sale of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 9,999,809	$ 68,657	$ 1,685	$ 10,070,151
Inter-segment revenue	7,837,162	766,358	1,373	8,604,893
Total revenue	$ 17,836,971	$ 835,015	$ 3,058	$ 18,675,044
Segment profit (loss)	$ 1,459,715	$ 49,911	$ 686,029	$ 2,195,655
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

	2017			
	Production and sale of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 10,307,151	$ 57,495	$ 23,505	$ 10,388,151
Inter-segment revenue	7,631,969	595,370	24,502	8,251,841
Total revenue	$ 17,939,120	$ 652,865	$ 48,007	$ 18,639,992
Segment profit (loss)	$ 1,036,099	$ 24,510	$ 763,695	$ 1,824,304
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

(Note) Since the Group has not provided the measured amount of assets and liabilities to the chief operating decision maker, the segment information of total assets and liabilities is not disclosed.

(III) Reconciliation of segment revenue and profit or loss

1. Total revenue after adjustment in the period and total revenue from continuing operations are adjusted below:

	2018	2017
Revenue after adjustment from reportable operating segments	$ 18,671,986	$ 18,591,985
Revenue after adjustment from other operating segments	3,058	48,007
Total income before tax from operating segments	18,675,044	18,639,992
Elimination of intersegment revenue	(8,604,893)	(8,251,841)
Total consolidated operating revenue	$ 10,070,151	$ 10,388,151

2. Net operating profit after adjustment in the period and income before tax from continuing operations are adjusted below:

	2018	2017
Revenue after adjustment from reportable operating segments	$ 1,509,626	$ 1,060,609
Revenue after adjustment from other operating segments	686,029	763,695
Total income before tax from operating segments	2,195,655	1,824,304
Elimination of intersegment revenue	(1,265,833)	(804,481)
Income before tax from continuing operations	$ 929,822	$ 1,019,823

(IV) Information on product and service

The principal business of the Company is production and sales of sports and leisure outdoor shoes. The operating revenue, operating profit, and identifiable assets used by the segments account for more than 90% of the total operating revenue, total operating profit and total assets, so the Company is deemed to be in a single industry category.

(V) Geographical information

The Company’s revenue is calculated based on the country in which the sales is located. Non-current assets are classified according to the location of assets, including property, plant, and equipment, intangible assets and other non-current assets. Financial products are excluded.

	2018		2017	
	Revenue	Non-current Assets	Revenue	Non-current Assets
USA	$ 2,470,219	$ -	$ 2,430,694	$ -
Germany	1,587,343	-	1,596,350	-
Italy	894,463	-	1,034,392	-
France	737,419	-	442,539	-
China	683,728	1,767,858	859,253	1,856,189
Belgium	603,740	-	587,831	-
Others	3,093,239	3,690,230	3,437,092	2,823,287
Total	$ 10,070,151	$ 5,458,088	$ 10,388,151	$ 4,679,476

(VI) Important customer information

The Company's important customer information for 2018 and 2017 are as follows:

	2018			2017	
	Revenue	Department		Revenue	Department
A	$ 1,640,527	Production and sale of shoes	A	$ 1,947,026	Production and sale of shoes
B	1,290,287	Production and sale of shoes	B	1,070,156	Production and sale of shoes
C	1,104,294	Production and sale of shoes		$ 3,017,182	
D	1,003,473	Production and sale of shoes			
	$ 5,038,581				

(Blank Below)

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

January 1 to December 31, 2018

Table 1

Unit: NT$1,000
(Unless specified otherwise)

No. (Note 1)	Endorser/ Guarantor	Party being endorsed/guaranteed: CompanyName	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of Decembr 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company(%)	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland	Note
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	$ 4,566,198	$ 76,788	$ 76,788	$ 76,788	$ -	1.18%	$ 6,088,264	Y	N	Y	Note 3

Note 1: The numbers filled in are described as follows:
(1) For the issuer, fill in 0.
(2) Investee companies are numbered by company starting from 1 in sequence.
Note 2: Relationship between the endorser/guarantor and the Company is classified into the following seven categories (just mark the category number):
(1) Companies with whom the Company conducts business.
(2) A Company directly, and indirectly ,holds more than 50% of the voting shares.
(3) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
(4) A company in which the Company directly, and indirectly, holds more than 90% of the voting shares.
(5) Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs
(6) Shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
(7) The performance guarantee of the pre-sale house sales contract in the inter-bank business in accordance with the Consumer Protection Law is jointly guaranteed
Note 3: The limit of endorsements/guarantees provided for a single party is 60% of the net worth of Capital Concord Enterprise Limited.
Note 4: The maximum amount available for endorsements/guarantees is 80% of the net worth of Capital Concord Enterprise Limited.
Note 5: The joint guarantor of the endorsement/guarantee is Lin, Wen-Chih.
Note 6: In Q418, the exchange rates for assets and profit or loss were USD:NTD=30.715 and USD:NTD=30.1751, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 2

Securities Held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledge r account	As of December 31, 2018				Note
				Number of Shares	Book value	Ownership	Fair value	
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN)	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	$ 1,854	0.61	$1,854	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative marketable securities within the scope of IFRS 9: Financial instruments.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Acquisition or Sale of the Same Security with the Accumulated Cost Reaching NT$300 million or 20% of Paid-in Capital or More
For the year ended December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 3

					Beginning of the period		Acquisition (Note 3)		Disposal (Note 3)				End of the period	
Investor	marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Selling price	Book Value	Gain (Loss) on Disposal	Number of Shares	Amount
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Investment using equity method	Related parties	Subsidiary	1,070,000,000	$4,062,509	253,500,000	$998,238	-	$-	$-	$ -	1,323,500,000	$5,060,747

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative marketable securities.
Note 2: For securities recognized using equity method, the two fields must be filled in.
Note 3: The acquisition or sale of the same securities should be calculated separately at the market price as to whether the accumulated cost reaches NT$300 million or 20% of paid-in capital or more.
Note 4: Paid-in capital refers to the parent company's paid-in capital. When the issuer's shares have no denomination, or its denomination is not NT$10, regarding maximum transaction amount on 20% of paid-in capital, the amount is calculated based on 10% of ownership's equity attributable to the parent company in the balance sheet.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Purchases or Sales of Goods from or to Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
For the year ended December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 4

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Transaction Details: Purchase/Sale	Transaction Details: Amount	Transaction Details: Percentage of total purchases (sales)	Transaction Details: Credit term	Unusual trade conditions and its reasons: Unit Price	Unusual trade conditions and its reasons: Credit term	Notes and Accounts Receivable (Payable): Balance	Notes and Accounts Receivable (Payable): Percentage of total notes/accounts receivable (payable)	Note
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Purchase	2,522,786	0.31	180 days after purchase	Note 1	Note 1	(1,408,978)	(1.39)	Notes 2 and 3
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiary	Purchase	448,366	0.05	180 days after purchase	Note 1	Note 1	(268,792)	(0.27)	Notes 2 and 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	317,105	0.04	180 days after purchase	Note 1	Note 1	(246,765)	(0.24)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	1,754,262	0.21	120 days after purchase	Note 1	Note 1	-	-	Notes 2 and 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	409,790	0.05	90 days after purchase	Note 1	Note 1	(176,225)	(0.17)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(188,928)	(0.02)	135 days after Sales	Note 1	Note 1	142,300	0.07	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(355,589)	(0.04)	135 days after Sales	Note 1	Note 1	159,207	0.07	Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Sales	(135,050)	(0.01)	135 days after Sales	Note 1	Note 1	19,511	0.01	Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(190,533)	(0.02)	135 days after Sales	Note 1	Note 1	92,830	0.04	Notes 2 and 3
Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	Sales	(985,584)	(0.10)	120 days after billing	Note 1	Note 1	29,490	0.01	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	Sales	(371,761)	(0.04)	120 days after billing	Note 1	Note 1	116,303	0.05	Notes 2 and 3

Note 1: Sales transactions between the Group and related parties are valuated based on reasonable profits; thus, selling prices to related parties and those to non-related parties are incomparable. In terms of payment terms, there was no significant difference between related parties and non-related parties.
Note 2: In Q418, the exchange rates for assets and profit or loss were USD:NTD=30.715 and USD:NTD=30.1751, respectively.
Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Receivables from Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover Rate	Overdue Receivable		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for Doubtful Accounts	Note
					Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	$ 1,408,978	1.82	$-	-	$ 501,046	$-	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	268,792	1.65	-	-	109,063	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	246,765	1.12	-	-	137,181	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	176,225	2.88	-	-	141,420	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	116,303	3.62	-	-	115,996	-	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	142,300	2.00	-	-	98,231	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	159,207	3.88	-	-	90,560	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to March 8, 2019.
Note 2: In Q418, the exchange rates for assets and profit or loss were USD:NTD=30.715 and USD:NTD=30.1751, respectively.
Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 6

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status: General Ledger Account	Transaction Status: Amount (Note 5)	Transaction Status: Trade terms	Transaction Status: Percentage of consolidated total operating revenues or total assets (Note 3)
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts receivable	62,815	Note 4	0.01
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts receivable	142,300	Note 4	0.01
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	1,408,978	Note 4	0.13
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	246,765	Note 4	0.02
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	268,792	Note 4	0.02
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	176,225	Note 4	0.02
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Sales	98,488	Note 4	0.01
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	188,928	Note 4	0.02
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	2,522,786	Note 4	0.25
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	317,105	Note 4	0.03
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	448,366	Note 4	0.04
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	409,790	Note 4	0.04
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	1,754,262	Note 4	0.17
2	Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	2	Sales	985,584	Note 4	0.10
3	Fujian Sunshine Footwear Co., Ltd.	Sunny Footwear Co., Ltd.	3	Sales	73,512	Note 4	0.01
3	Fujian Sunshine Footwear Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	79,056	Note 4	0.01
4	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Accounts receivable	159,207	Note 4	0.01
4	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	355,589	Note 4	0.04
5	Hubei Sunsmile Footwear Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	41,403	Note 4	0.00
6	Capital Concord Enterprises Limited Taiwan Branch	Fujian Sunshine Footwear Co., Ltd.	3	Sales	135,050	Note 4	0.01
6	Capital Concord Enterprises Limited Taiwan Branch	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	190,533	Note 4	0.02
6	Capital Concord Enterprises Limited Taiwan Branch	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Accounts receivable	92,830	Note 4	0.01
6	Capital Concord Enterprises Limited Taiwan Branch	Fujian Sunshine Footwear Co., Ltd.	3	Purchase	57,282	Note 4	0.01
7	NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	2	Sales	371,761	Note 4	0.04
7	NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	2	Accounts receivable	116,303	Note 4	0.01

Note 1: The numbers filled in for parent-subsidiary transactions are described as follows:
(1) The parent company is coded "0".
(2) The subsidiaries are coded by company from 1 in sequence.
Note 2: Relationships are categorized into the following three types. Please specify the type. (The same transaction shall not be disclosed repetitively. For example, if the transaction between the parent company and a subsidiary has been disclosed by the parent company, it need not be disclosed by the subsidiary.
If the transaction between two subsidiaries has been disclosed by one subsidiary, it need not be disclosed by the other subsidiary.
(1) Parent company to subsidiaries.
(2) Subsidiaries to parent company.
(3) Inter-subsidiary
Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items and on interim accumulated amount to consolidated net revenue for profit or loss items.
Note 4: Agreed on by both parties based on market conditions.
Note 5: In Q418, the exchange rates for assets and profit or loss were USD:NTD=30.715 and USD:NTD=30.1751, respectively.
Note 6: The disclosure standard is more than NT$40 million for the transaction amount.
Note 7: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Invested Companies (not including investee companies in Mainland China)
January 1 to December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 7

Investee Company	Name of Investee Company	Place of Registration	Main Businesses	Original Investment Amount (Note 2) December 31, 2018	Original Investment Amount (Note 2) December 31, 2017	Shares Held as of December 31, 2018 Number of Shares	Shares Held as of December 31, 2018 Ratio	Shares Held as of December 31, 2018 Carrying Amount (Note 3)	Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3)	Note
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Holdings and production and sale of sports and outdoor shoes	$5,060,747	$4,062,509	1,323,500,000	100	$ 7,610,329	$774,179	$774,179	Subsidiary
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Cambodia	Production and sale of sports and outdoor shoes	1,518,038	1,241,603		100	1,611,980	157,455	157,455	Subsidiary
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Cambodia	Processing and sale of clothing	427,675	427,675		91.27	223,953	(57,794)	(52,748)	Subsidiary
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Production of sports and outdoor shoes	566,107	375,080		100	632,549	33,945	33,945	Subsidiary
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Production of sports and outdoor shoes	876,428	748,033		100	800,996	27,464	27,464	Subsidiary
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	A holding company	24,731	24,731		100	27,509	(925)	(925)	Subsidiary
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution and import and export trade	12,395	12,395		100	16,827	(2,183)	(2,183)	Subsidiary
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	174,989	174,989		100	180,930	743	743	Subsidiary

Note 1: The company was established as a limited company with no shares issued.

Note 2: The historical exchange rate was adopted.

Note 3: In Q418, the exchange rates for assets and profit or loss were USD:NTD=30.715 and USD:NTD=30.1751, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2018

Unit: NT$1,000
(Unless specified otherwise)

Table 8

Name of Investee Company in China	Main business activities	Paid-in Capital (Note 3)	Investment Method	Accumulated Amount Remitted from Taiwan to Mainland China, as of January 1,2018 (Note 5)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 5): Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 5): Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018(Note 5)	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018 (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Note
Fujian Sunshine Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	$ 723,826	Note 1	$ -	$-	$-	$ -	$ 155,230	100	122,446	$2,002,178	$ -	Note 2
Hubei Sunsmile Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	1,825,033	Note 1	-	-	-	-	44,186	100	37,922	1,740,076	-	
Sunny Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	130,680	Note 1	-	-	-	-	32,204	100	32,204	580,039	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution and import and export trade	40,656	Note 1	-	-	-	-	41,195	100	41,195	162,157	-	
Fujian La Sportiva Co., Ltd.	Distribution and import and export trade	40,656	Note 1	-	-	-	-	(1,673)	60	(1,004)	25,282	-	

Note 1: Invested by a company founded in a third area.

Note 2: On May 17, 2011, Fujian Sunshine Footwear Co., Ltd. (China) obtained approval from the local regulator to merge Heng Cheng Shoes Co., Ltd. and Yu Heng Cheng Shoes Co., Ltd. The original investment amount includes US$4,000,000 (NT$120,000,000) used to invest in Heng Cheng Shoes Co., Ltd. and Yu Heng Cheng Shoes Co., Ltd.

Note 3: The historical exchange rate was adopted.

Note 4: In Q418, the exchange rates for assets and profit or loss were USD:NTD=30.715 and USD:NTD=30.1751, respectively.

Note 5: The Company was established on the Cayman Islands, which is not subject to the limits on the principle limit in the “Principles for Conducting Investment or Technical Cooperation” of the Ministry of Economic Affairs.
The Group has re-funded the investment in the amount of NT$2,590,220 thousand through re-investment in Hong Kong.

5. Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Year: N/A.

6. Impact on the Company's Financial Status Due to Financial Difficulties Experienced by the Company and Its Affiliated Companies in the Most Recent Year and As of the Printing Date of This Report: None.

7. Other Supplements

(1) Evaluation Basis and Ground for Balance Sheet Valuation Accounts

Item	Balance Sheet Valuation Account	Evaluation Basis	Evaluation Ground
i	Allowance for losses	The Company's receivables are provided for the assessment and listing of bad debts, the collection of individual item (by customer) assessment and aging analysis method are adopted, in line with the provisions of the IFRS9, to be applicable as of January 1, 2018.	1. Individual item (by customer) assessment: The objective evidence of derogation (as follows) is presented (1) There has been a significant financial difficulty by the debtor. (2) There has been a breach of contract by the debtor. (3) Deterioration of the debtor's repayment situation. (4) There is a high possibility that the debtor may fail or carry out financial restructuring. 2. Aging analysis: Taking into account historical, realistic and future (forward-looking) information, determine the expected credit loss rate for each account age range according to the following procedure. (1) The preparation matrix, based on the average annual loss rate of account age in the last year, plus a forward-looking adjustment of 1 standard deviations in the recent annual historical loss rate. (2) The above ratios are reassessed annually.
ii	Allowance for Inventory Obsolescence Loss	Age of inventory	1.Raw materials: For aging within 12 months, allowance for inventory obsolescence loss is not appropriated; for aging over 12 months, 100% is appropriated as obsolescence loss. 2.Semi-finished products and finished products: Allowance for inventory obsolescence loss is measured at lower of cost or net realizable value item by item. 3.Inventories: For aging within 24 months, allowance for inventory obsolescence loss is not appropriated; for aging over 24 months, 100% is appropriated as obsolescence loss.
iii	Allowance for Inventory Valuation Loss	Lower of cost or net realizable value	1. Comparison basis: Inventories are compared item by item; however, similar or relevant items may be compared within the same type. 2. Raw materials: The net realizable value is the unit price of latest purchase. 3. Work-in-process products: The net realizable value is “the estimated selling price” in the ordinary course of business less “the estimated costs of completion” and” the estimated costs” necessary to make the sale. 4. Semi-finished products and finished products: The net realizable value is the unit price of the last sale less relevant changes in costs necessary to make the sale. 5. Cost is valuated by the weighted average method.
iv	Financial Assets and Liabilities	Fair value	1. Financial assets measured at fair value through gains and losses: The shares of listed companies held by the Company are valuated based on the closing price from securities trading; impairment on balance sheet date shall be evaluated according to Section 59 of IAS39. 2. Derivatives: Derivatives are valuated based on the fair value provided by the bank. 3. Convertible corporate bonds: Convertible corporate bonds are valuated based on the appraisal report issued by the actuary and the Binary Tree model after fluctuations in stock prices and the risk-free interest rate are taken into account.

VII. Review of Financial Conditions, Operating Results, and Risk Management

1. Financial Conditions

Unit: NT$1,000

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	4,673,674	5,603,994	930,320	19.91%
Property, Plant and Equipment	4,319,269	4,930,269	611,000	14.15%
Intangible Assets	18,581	16,970	(1,611)	-8.67%
Other Assets	405,757	572,435	166,678	41.08%
Total Assets	9,417,281	11,123,668	1,706,387	18.12%
Current Liabilities	2,835,410	3,374,578	539,168	19.02%
Non-current Liabilities	338,238	1,211,474	873,236	258.17%
Total Liabilities	3,173,648	4,586,052	1,412,404	44.50%
Share Capital	1,461,973	1,528,621	66,648	4.56%
Capital Surplus	3,336,445	3,377,120	40,675	1.22%
Retained Earnings	1,880,413	2,014,140	133,727	7.11%
Other Equity	(446,134)	(420,541)	25,593	-5.74%
Treasury Stocks	(32,824)	0	32,824	-100.00%
Non-controlling Interests	43,760	38,276	(5,484)	-12.53%
Total equity	6,243,633	6,537,616	293,983	4.71%

(1) The above table is compiled based on the data of the Company's consolidated financial statements.

(2) Analysis of difference over 20% and NT$10,000,000:

1. Other assets: an increase over last year, mainly due to the increase in the right to use land.
2. Non current liabilities: an increase over last year, mainly due to increased corporate debt.
3. Total liabilities: an increase over last year, mainly due to increased corporate debt.
4. Treasury stocks: less than last year, mainly due to the transfer of treasury stocks to employees.

(3) Reasons for changes in Non-current Liabilities in the past two years and future responses:

The decrease in non-current Liabilities was mainly because the Company issued the 4th unsecured convertible corporate bonds in Taiwan on October 2, 2018 at the amount of NT$1,000,000,000, to repay bank loans and enrich working capital, through the increase in long-term capital, to strengthen the financial structure of the Company.

2.Operating Results

Unit: NT$1,000

Year / Item	2017	2018	Difference	
			Amount	%
Operating Revenue	10,388,151	10,070,151	(318,000)	(3.06)
Operating Cost	8,333,008	8,257,132	(75,876)	(0.91)
Gross Profit from Operations	2,055,143	1,813,019	(242,124)	(11.78)
Operating Expenses	924,293	978,631	54,338	5.88
Operating Income	1,130,850	834,388	(296,462)	(26.22)
Non-operating Income and Expenses	(111,027)	95,434	206,461	185.96
Income before Tax	1,019,823	929,822	(90,001)	(8.83)
Income Tax Expense	223,820	192,536	(31,284)	(13.98)
Net income	796,003	737,286	(58,717)	(7.38)
Other Comprehensive Income (Net Income after Tax)	(203,185)	26,246	229,431	112.92
Total Comprehensive Income	592,818	763,532	170,714	28.80
Net Income Attributable to:				
Owners of Parent Company	803,113	743,001	(60,112)	(7.48)
Non-controlling Interests	(7,110)	(5,715)	1,395	19.62
Total Comprehensive Income Attributable to:				
Owners of Parent Company	601,347	769,016	167,669	27.88
Non-controlling Interests	(8,529)	(5,484)	3,045	35.70

(1) The above table is compiled based on the data of the Company's consolidated financial statements.

(2) Analysis of difference over 20% and NT$10,000,000:

1. In 2018, the annual operating profit reduces, the main production plant for the deployment system, due to capacity deployment might not be perfect but is relatively conservative, and the new line still yield curve directly face the cost of learning, so the overall profit decline.
2. In 2018, the annual operating income and expenses increased due to the increase of net foreign currency exchange system main interests.
3. The increase in Other Comprehensive Income was mainly due to exchange differences on Translation of Foreign Financial Statements.

(3) Impact of sales volume forecast and the basis for the next year on corporate finance and business, and responses: To keep financial conditions robust, the Company sets the annual shipping goal based on customers' forecast, global market changes, capacity planning, and past performance, pays close attention to market trends, and expands market share as well as develop new customers and improves profit.

3. Cash Flow

(1) Analysis of Cash Flow in 2018

Unit: NT$1,000

Cash Balance at the Beginning of the Period	Annual Net Cash Flow from Operating Activities	Annual Cash Outflow	Cash Balance (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,068,037	872,729	627,693	1,313,073	-	-

1. Analysis of changes in the cash flow in recent year:
   Operating activities: Net cash inflow of operating activities for the current period is NT$872,729,000, mainly due to profit growth in 2018.
   Investing activities: Net cash outflow from investment activities for the current period is NT$1,090,133,000, mainly due to significant capital expenditure for the continuous expansion of plants in Vietnam and Cambodia.
   Financing activities: The net cash inflow of financing activities for the current period is NT$574,766,000, mainly due to the issuance of the current issue due to convertible corporate debt NT$1,006,000,000 and the issuance of cash dividend of NT $599,554,000.
2. Remedial measures for cash inadequacy and liquidity analysis: The Company has no cash inadequacy.

(2) Improvement Plan for Inadequate Liquidity: The Company expects to maintain profitability for 2019 as operating activities will maintain net cash inflows and respond to required cash outflows from investing and financing activities. There should be no concern of inadequate liquidity.

(3) Analysis of Liquidity in the future year (2019)

Unit: NT$1,000

Cash Balance at the Beginning of the Period	Annual Net Cash Flow from Operating Activities	Annual Cash Outflow	Cash Balance (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,313,073	900,000	850,000	1,363,073	-	-

1. Analysis of changes in the cash flow in future year:
   The Company expects to maintain profitability for 2019 as operating activities will maintain net cash inflows and respond to required cash outflows from investing and financing activities; there should be no concern of inadequate liquidity.
2. Remedial measures and liquidity analysis for expected cash inadequacy: N/A.

4. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year

(1) Use and Funding Sources of Major Capital Expenditures

The amount of property, plant and equipment acquired in 2017 and 2018 was NT$703,594,000 and NT$965,385,000, respectively. Such capital expenditures were due to the expansion of new production bases. The table below compares the property, plant, and equipment turnover rate and the total asset turnover rate, showing that the Company's turnover rate remains at a certain level. The increase in capital expenditures did not have adverse impact on the Company's finance and business.

Year	2014	2015	2016	2017	2018
Property, Plant, and Equipment Turnover Ratio	2.33	2.16	2.07	2.42	2.18
Total Asset Turnover Rate	1.05	1.03	1.01	1.12	0.98

(2) Expected Potential Benefits

The expansion of production bases is expected to increase the Company's capacity and operating scale in line with future orders and urgent order. Future revenue is expected to grow.

5. Investment Policy, Main Causes for Profits or Losses, Improvement Plans for the Most Recent Year and Investment Plans for the Coming Year

(1) Investment Policy

The Company focuses on its primary business sector and its investment policy is based on investment related to the businesses. The responsible department shall comply with the Investment Cycle under the internal control system and the Procedures for Acquisition or Disposal of Assets; the relevant regulations and procedures have been discussed and approved by the Board of Directors or at a shareholders' meeting.

(2) Main Causes for Profits or Losses and Improvement Plans for the Most Recent Year

Unit: NT$1,000, %

Investee	Sharehold-ing Ratio	Investment Profit or Loss in 2018	Main Cause for Profit or Loss	Improvement Plan
Capital Concord Enterprises Limited	100	774,179	Business operation is good	None
Fujian Sunshine Footwear Co., Ltd.	100	122,446	Business operation is good	None
Hubei Sunsmile Footwear Co., Ltd.	100	37,922	Business operation is good	None
Sunny Footwear Co., Ltd.	100	32,204	Business operation is good	None
Fujian Laya Outdoor Products Co., Ltd.	100	41,195	Business operation is good	None
Fujian La Sportiva Co., Ltd.	60	(1,004)	Decrease in gross profit margin	Develop business to improve profitability
Fulgent Sun Footwear Co., Ltd.	100	33,945	Business operation is good	None
NGOC HUNG Footwear Co., Ltd.	100	27,464	Business operation is good	None
Laya Max Trading Co., Ltd.	100	(2,183)	Loss due to operation under poor economic scale	None
Laya Outdoor Products Limited	100	(925)	-	-
Lin Wen Chih Sunbow Enterprises Co., Ltd.	100	157,455	Business operation is good	None
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	91.27	(52,748)	Loss due to operation under poor economic scale	Reduce fixed costs to reduce losses
Lin Wen Chih Sunlit Enterprises Co., Ltd.	100	743	Business operation is good	Land leasing business, it does not apply

(3) Investment Plans for the Coming Year

In response to the increase in future orders and inadequate capacity, the Company plans to expand stably in Vietnam and Cambodia in 2019 in the hope of creating resilient room for overall profit.

6. Analysis of Risk Management

i. Impact of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest Rates

The Company's financial structure is good with sufficient funds. The interest expense in 2017 and 2018 was NT$15,421,000 and NT$22,898,000, respectively, accounting for 0.15% and 0.23% of net operating revenue and 1.51% and 2.46% of net income, respectively. The interest-bearing loan in 2017 and 2018 accounted for 10.21% and 9.77% of total assets, respectively. The interest-bearing loan was for working capital, so the change in interest rates had little impact on the Company.

(2) Foreign Exchange Rates

The functional currencies of the Company's subsidiaries in the Republic of China, People's Republic of China, and Southeast Asia are NTD, CNY, VND, and USD. The overall fluctuations in foreign exchange rates could reach balance between receivables and payables, achieving the effect of natural hedges. To avoid huge fluctuations in foreign exchange rates. The Company adopts forward exchange contracts to reduce the impact of foreign exchange rates on the Company's profits or losses. In 2018, the net profit from forward exchange contracts was NT$832,000.

In the future, the Company will collect information on changes in foreign exchange rates, make cash flow forecasts, and adopt appropriate hedging policy and methods to control supply and demand of foreign currencies. The financial personnel shall maintain the appropriate exchange position based on the future trend of foreign exchange rates in response to the need of operation to reduce the impact of changes in foreign exchange rates on the Company's profit.

(3) Inflation

The low employment rate and European debts have eased, creating room for the adoption of the easing policy. Economy can be boosted through measures for quality and sustainable growth.

In summary, in a rapidly changing economic environment, there is no significant influence of inflation or deflation on the Company as of the printing date of this annual report. With the increasing awareness of sports activities worldwide, the global sports industry has continued to expand in recent years. Being aware of this trend and the price fluctuations in the shoe market, the Company has adjusted procurement and sale policies resiliently while maintaining good interaction with suppliers and customers; therefore, the Company should be able to respond to the impact of future inflation or deflation.

ii. Policies, Main Causes for Profits or Losses and Future Response Measures with Regard to High-risk and High-leverage Investments, Lending of Funds, Endorsements/ Guarantees, and Derivatives Trading

The Company has established the Procedures for Acquisition or Disposal of Assets, the Procedures for Making Endorsements/Guarantees, and the Procedures for Lending Funds to Others as the basis of operation for the Company and its subsidiaries. As of the printing date of this annual report, the Company has not engaged in high-risk and high-leverage investments or derivatives trading except for derivatives trading for the avoidance of changes in foreign exchange rates. Based on the principle of sound and robust operation, the Company will not consider engaging in high-risk and high-leverage investments or derivatives trading in the future. Due to the need of operation, the Company has made endorsements/guarantees and lent funds to subsidiaries in accordance with the Procedures for Lending Funds to Others and the Procedures for Making Endorsements/Guarantees.

iii. Future Research & Development Projects and Corresponding Budgets In addition to developing new models and testing samples, the Company's developers are also responsible to collect market information and analyze product trends. The Company believes that technological innovation and process transformation are the keys. to improving the quality and added value of products. Although the existing research and development team is sufficient for current research and development, the Company will improve its quality and quantity considering the rapid change and improved competitiveness in the industry.

iv. Impact of Changes in Major Policies and Laws on Corporate Finance and Business, and Response Measures Registered in Cayman Islands, the Company operates in China, Hong Kong, Vietnam, and Cambodia in accordance with important policies and laws at home and abroad. The Company also pays close attention to changes in local policies, laws and markets to respond immediately. As of the printing date of this annual report, there is no significant impact of major policies and laws on the Company's finance and business.

v. Impact of Changes in Technology and Industry on Corporate Finance and Business, and Response Measures The Company produces and sells sports shoes and outdoor shoes as an OEM. Our customers are world-renowned brands of outdoor and sporting goods; some of our customers are even leaders in the industry. The Company develops products and controls the market depending on information provided by customers and close cooperation with them. Without these important customers, it will be difficult for the Company to respond immediately to the changes in technology and industry, leading to an adverse impact on the Company's operation; therefore, the Company aims to develop its own brands based on consumers' needs and market trends while receiving the latest information from customers in response to future changes in the footwear industry.

vi. Impact of Changes in Corporate Image on Corporate Risk Management, and Response Measures Upholding a people-oriented business philosophy, the Company has strived to pursue sustainable development and attach great importance to corporate image and risk control with the corporate cultures of integrity, innovation, speed, and quality. Since incorporation, the Company has always focused on its primary business sector. As of the printing date of this annual report, there is no serious impact on the Company's corporate image.

vii. Expected Benefits from and Risks Relating to Merger and Acquisition Plans In response to the need of listing in Taiwan, the Group has restructured and integrated resources since the end of 2009. Apart from this, there is no merger or acquisition. The Group has restructured in accordance with local laws and the Company's Articles of Incorporation; there is no adverse impact of risks arising from mergers and acquisitions on the Company's operation.

viii. Expected Benefits from and Risks Relating to Plant Expansion Plans With the increasing popularity of sports activities, the Company plans to expand stably in Vietnam and Cambodia in 2019 in the hope of creating resilient room for overall profit. NGOC HUNG Footwear Co., Ltd. has been GORE-TEX certified.

ix. Risks Relating to and Responses to Excessive Concentration of Purchasing Sources and Customers

(1) Risks Relating to and Responses to Excessive Concentration of Purchasing Sources To avoid the risk of supply shortage, the Company does not purchase raw materials from single or few suppliers; instead, the Company chooses the most suitable suppliers based on the needs, prices, quality, and delivery of products. The Company has maintained good cooperation with suppliers. There is no excessive concentration of purchasing sources.

(2) Risks Relating to and Responses to Excessive Concentration of Customers The Company's products include sports shoes, outdoor shoes, hiking shoes, casual shoes and functional shoes from greater than 40 renowned brands at home and abroad. Our products are sold across Europe, America, and Asia. There is no excessive concentration of customers. In addition, the Company has strived to develop new customers and the agency of brands. Currently, the Company has received orders from customers around the world and completed the delivery for some brands.

x. Impact of, Risks Relating to and Responses to Mass Transfers or Changes in Shareholding of Directors, Supervisors, or Major Shareholders with a shareholding ratio of 10% or More In the most recent year and as of the printing date of this annual report, there is no mass transfer or change in shareholding of directors, supervisors, or major shareholders with a shareholding ratio of 10% or more.

xi. Impact of and Risks Relating to the Changes in Ownership The Company has no significant change in ownership. The Company has set up independent directors to protect the rights and interests of shareholders. The daily operation of the Company depends on professional managers, which should continuously receive support from shareholders; therefore, the change in ownership should have no significant adverse impact on the Company's operation.

xii. Litigation or Non-litigation Cases: Litigious or Non-litigious Proceedings or Administrative Disputes Involving a Director, a Supervisor, the President, the De Facto Person in Charge, a 10% or greater Major Shareholder, or an Affiliate Company of the Company with respect to which a Judgment Has Become Final and Unappealable, or Is Still Pending, and whose Outcome Could Materially Impact Shareholders’ Equity or the Prices of the Company’s Securities A director, a supervisor, the President, a de facto person in charge, a 10% or greater major shareholder, or an affiliate company of the Company is not involved in any litigious or non-litigious proceedings or administrative disputes.

xiii. Other Important Matters: None.

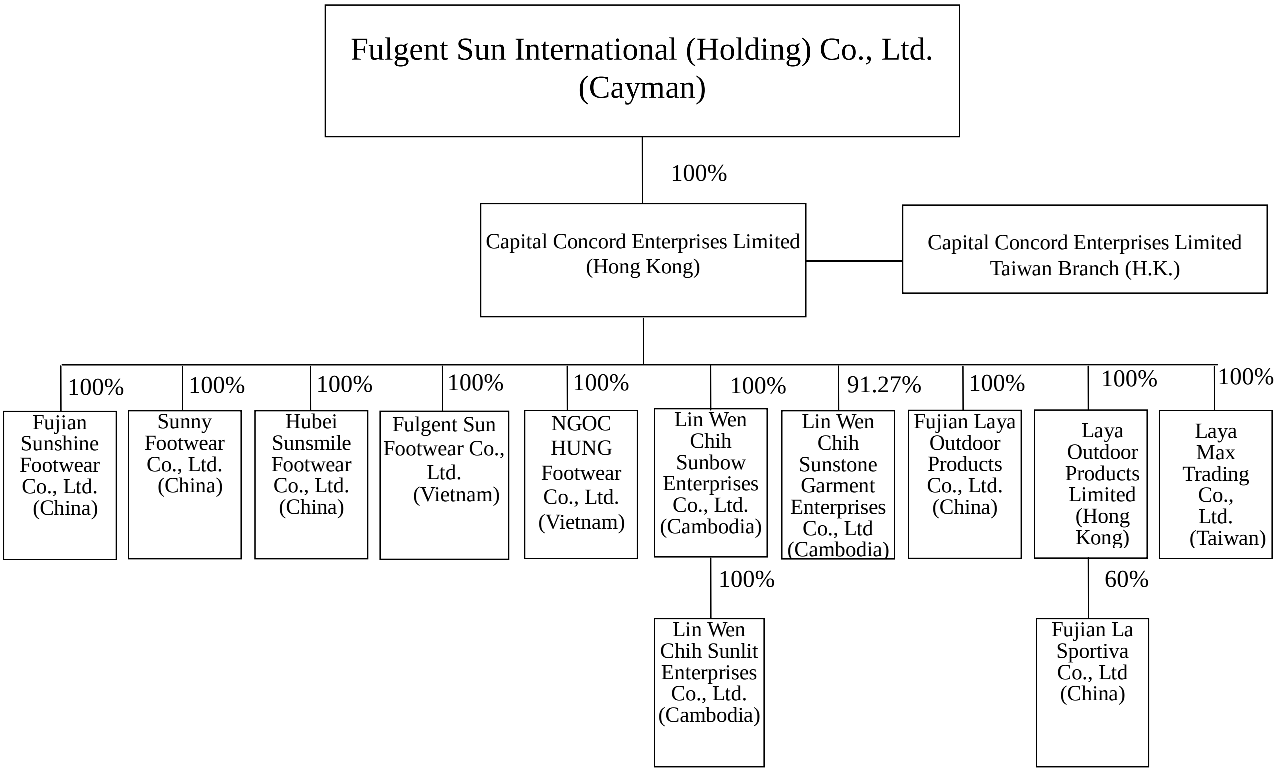
7. Other Important Issues: None.

VIII. Special Notes

1. Affiliated Companies

(1) Organizational Chart of Affiliated Companies

Data Reference Date: December 31, 2018



(2) Basic Information on Affiliated Companies

December 31, 2018; Unit: NT$1,000

Name of Company	Date of Establishment	Location	Paid-in Capital	Scope of Business or Product Item
Fulgent Sun International (Holding) Co., Ltd.	2009/11/24	Cayman Islands	1,462,735	Holding company
Capital Concord Enterprises Limited	1994/12/15	Hong Kong	5,060,747	Holdings and production and sale of sports and outdoor shoes
Fujian Sunshine Footwear Co., Ltd.	1995/03/22	Fujian Province, China	723,826	Production and sale of sports and outdoor shoes
Sunny Footwear Co., Ltd.	2005/09/06	Fujian Province, China	130,680	Production and sale of sports and outdoor shoes
Hubei Sunsmile Footwear Co., Ltd.	2009/06/02	Hubei Province, China	1,825,033	Production and sale of sports and outdoor shoes
Fulgent Sun Footwear Co., Ltd.	2003/01/15	Hanoi Province, Vietnam	566,107	Production of sports and outdoor shoes
NGOC HUNG Footwear Co., Ltd.	2015/01/26	Hai Duong Province, Vietnam	876,428	Production of sports and outdoor shoes
Fujian Laya Outdoor Products Co., Ltd.	2009/10/30	Fujian Province, China	40,656	Distribution and import and export trade
Laya Max Trading Co., Ltd.	2010/04/19	Yunlin County, Taiwan	12,395	Distribution and import and export trade
Laya Outdoor Products Limited	2010/09/06	Hong Kong	24,731	Holding company
Fujian La Sportiva Co., Ltd.	2011/01/04	Fujian Province, China	40,656	Distribution and import and export trade
Lin Wen Chih Sunbow Enterprises Co., Ltd.	2013/12/16	Kandal Province, Cambodia	1,518,038	Production and sale of sports and outdoor shoes
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	2013/12/16	Kandal Province, Cambodia	427,675	Processing, manufacturing and sale of all kinds of readymade garments
Lin Wen Chih Sunlit Enterprises Co., Ltd.	2013/12/16	Kandal Province, Cambodia	174,989	Land lease business

(3) Shareholders in Common of the Company and Its Affiliated Companies with Deemed Control and Subordination: None

(4) Overall Business Scope of Affiliated Companies:

(a). Primary business sector: Production and sale of shoes and investment in related businesses.

(b). Others: Agency. For the main business and products of each affiliated companies, please refer to (2) Basic Information on Affiliated Companies.

(5) Roster of Directors, Supervisors, and Presidents of Affiliated Companies

As of April 14, 2019

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
Fulgent Sun International (Holding) Co., Ltd.	Chairman	Lin Wen Chih(Note1)	25,329,661	15.85
	Director/President	Liao Fang Chu(Note2)	21,408,018	13.39
	Director	Yu Man Sang(Note3)	4,561,617	2.85
	Director	Liao Chih Cheng	264,824	0.17
	Independent director	Chang Kun Hsien	-	-
Fulgent Sun International (Holding) Co., Ltd.	Independent director	Kuo Shaw Long	-	-
	Independent director	Hsu Ai Chi	-	-
Capital Concord Enterprises Limited	Chairman	Lin Wen Chih	-	-
	Director	Liao Fang Chu	-	-
	Director	Liao Chih Cheng	-	-
Fujian Sunshine Footwear Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Lin Hao Yi	-	-
	Director	Lin Hui Yi	-	-
	Supervisor	Lin Feng Yun	-	-
Sunny Footwear Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Liao Chih Cheng	-	-
	Director	Lin Hao Yi	-	-
	Director	Lin Feng Yun	-	-
	Supervisor	Chen Ming Hsien	-	-
Hubei Sunsmile Footwear Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Liao Chih Cheng	-	-
	Director	Lin Hui Yi	-	-
	Supervisor	Chen Ming Hsien	-	-
Fulgent Sun Footwear Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Lin Hao Yi	-	-
	Director	Lin Hui Yi	-	-
	Supervisor	Liao Chih Cheng	-	-
Fujian Laya Outdoor Products Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Lin Hui Yi	-	-
	Supervisor	Lin Feng Yun	-	-
Laya Outdoor Products Limited	Chairman	Lin Wen Chih	-	-
	Director	Lin Hui Yi	-	-

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
Laya Max Trading Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director	Liao Fang Chu	-	-
	Director	Lin Hao Yi	-	-
Fujian La Sportiva Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Lin Hui Yi	-	-
	Director	Lorenzo	-	-
	Director	Lanfranco	-	-
	Supervisor	Lin Feng Yun	-	-
	Supervisor	Roberto	-	-
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Liao Chih Cheng	-	-
	Director	Lin Wen Kuang	-	-
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Liao Chih Cheng	-	-
	Director	Su Li Yu	-	-
	Director	Liu Kun Ling	-	-
Lin Wen Chih Sunlit Enterprises Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director	HUON LIMING	-	-
NGOC HUNG Footwear Co., Ltd.	Chairman	Lin Wen Chih	-	-
	Director/President	Liao Fang Chu	-	-
	Director	Lin Hao Yi	-	-
	Director	Lin Hui Yi	-	-
	Supervisor	Liao Chih Cheng	-	-

Note 1: Shares are held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.
Note 2: Shares are held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.
Note 3: Shares are held directly through the custodial account of Yu Man Sangused by CTBC Bank.

(6) Operational Highlight of Affiliated Companies

December 31, 2018; Unit: NT$1,000

Name of Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Net Income (after tax)
Fulgent Sun International (Holding) Co., Ltd.	1,462,735	6,892,081	1,223,020	5,669,061	0	(22,707)	743,001
Capital Concord Enterprises Limited	5,060,747	11,652,439	4,042,110	7,610,329	9,183,893	418,743	774,179
Fujian Sunshine Footwear Co., Ltd.	723,826	2,742,334	704,255	2,038,079	2,975,358	157,930	155,230
Sunny Footwear Co., Ltd.	130,680	499,524	98,365	401,159	460,333	27,056	32,204
Hubei Sunsmile Footwear Co., Ltd.	1,825,033	2,094,268	345,777	1,748,491	950,215	42,483	44,186
Fulgent Sun Footwear Co., Ltd.	566,107	788,273	155,724	632,549	996,560	46,790	33,945
NGOC HUNG Footwear Co., Ltd.	876,428	852,548	51,552	800,996	378,256	31,401	27,464
Fujian Laya Outdoor Products Co., Ltd.	40,656	466,832	304,675	162,157	770,302	41,898	41,195

Name of Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Net Income (after tax)
Laya Max Trading Co., Ltd.	12,395	17,539	712	16,827	12,145	241	(2,183)
Laya Outdoor Products Limited	24,731	25,898	90	25,808	0	77	(925)
Fujian La Sportiva Co., Ltd.	40,656	78,710	36,573	42,137	52,569	(2,163)	(1,673)
Lin Wen Chih Sunbow Enterprises Co., Ltd.	1,518,038	2,594,779	982,799	1,611,980	2,355,027	156,459	157,455
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	427,675	247,184	1,810	245,374	391	(33,537)	(57,794)
Lin Wen Chih Sunlit Enterprises Co., Ltd.	174,989	181,073	143	180,930	1,373	1,057	743

(7) Consolidated Financial Statements of Affiliated Companies: Please refer to Pages 94~162.

2. Private Placement of Securities in the Most Recent Year and As of the Printing Date of This Annual Report: None.

3. Holding or Disposition of the Company's Shares in the Most Recent Year and As of the Printing Date of This Annual Report: None.

4. Other Necessary Supplements: None.

IX. Any Events in the Most Recent Year and As of the Printing Date of This Annual Report that Had Significant Impact on Shareholders' Equity or Securities Prices prescribed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.

X. Any Material Differences from the Rules of the R.O.C. in Relation to the Protection of Shareholders' Equity

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
1. Shareholders' meetings shall be convened within the territory of the Republic of China. If a shareholders' meeting is convened outside the territory of the Republic of China, it shall be resolved by the Board of Directors or permitted by the regulator and then reported to the stock exchange for approval within two days. 2. Shareholders who have been continuously holding 3% of total number of the outstanding shares for a period of one year or longer may request the Board of Directors to convene an extraordinary shareholders' meeting in writing, specifying the proposal and the reason. If the Board of Directors fails to send a notice of an extraordinary shareholders' meeting within 15 days after the request is made, the shareholders may convene the extraordinary shareholders' meeting with the regulator's permission.	1. If shareholders convene shareholders' meetings outside the territory of the Republic of China, Article 14-7 of the Company's Articles of Incorporation only stipulates that shareholders shall obtain the stock exchange approval in advance because, according to the attorney of Cayman Islands, the Companies Law of Cayman Islands does not have any special regulation pertaining to convention of shareholders' meetings. This is different from the provision that "it shall be resolved by the Board of Directors or permitted by the regulator and then reported to the stock exchange for approval within two days", as prescribed in Protection of Shareholders' Equity. 2. According to the attorney of Cayman Islands, the Companies Law of Cayman Islands does not have any special regulation pertaining to the places of shareholders' meetings of exempted companies or shareholders' meetings convened by shareholders; therefore, Article 14-7 of the Company's Articles of Incorporation does not stipulate that shareholders shall report to the regulator for permission before convening extraordinary shareholders' meetings.
When shareholders' meetings are convened, shareholders may exercise their voting rights by correspondence or electronic means. If shareholders' meetings are convened outside the territory of the Republic of China, shareholders shall be entitled to exercise their voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the	Incorporation stipulates that "When a shareholder exercises the voting right by correspondence or electronic means at a shareholders' meeting according to the preceding regulation, they shall be deemed to appoint the chairperson as the proxy to exercise the voting right at the shareholders' meeting as instructed by the shareholder by correspondence or electronic means; however, such appointment shall not constitute the proxy prescribed in the rules of publicly listed companies". This is different from the provision that "A shareholder exercising voting rights by correspondence or electronic means will be

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
extraordinary motions and amendments to original proposals of that meeting.	deemed to have attended the meeting in person", as prescribed in Protection of Shareholders' Equity. In addition, Article 18.2 of the Company's Articles of Incorporation stipulates that such a voting right which the chairperson of the shareholders' meeting has on behalf of the shareholder is not subject to 3% of the voting rights of total shares issued.
For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company. 1. Enter into, amend or terminate any contract for lease of the company's business in whole, or for entrusted business, for regular joint operation with another party, transfer the whole or any essential part of its business or assets, and accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the company. 2. Amending the Articles of Incorporation. 3. Where amendments to the Articles of Incorporation will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened. 4. New shares issuance shall be used to allocate the whole or part of share dividends or bonuses.	1. In addition to ordinary resolution and supermajority resolution under the law of the Republic of China, Article 1.1 of the Company's Articles of Incorporation also stipulates "Special Resolution" defined in the Companies Law of Cayman Islands. According to the attorney of Cayman Islands, "Special Resolution" shall refer to a resolution passed by shareholders present at the shareholders' meeting (in person or by proxy) who represent two-thirds or more (or a higher percentage as prescribed in the Company's Articles of Incorporation; such a percentage may vary from proposal to proposal) of the total voting rights, provided that the meeting notice has legally specified that the resolution will be passed by special resolution. With the authorization of the Articles of Incorporation, the special resolution shall be passed in writing with the signatures of all shareholders who have voting rights. To resolve by vote, majority voting shall be calculated based on the number of voting rights which each shareholder represents according to the Company's regulations. For matters to be passed by supermajority resolution, as prescribed in Protection of Shareholders' Equity, they shall be passed by supermajority resolution and special resolution, separately, according to the Company's Articles of Incorporation. This difference is due to the law of Cayman Islands. The Company's Articles of Incorporation have included matters to be passed by supermajority resolution,

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
5. Resolutions for corporate dissolution, merger, or demerger. 6. Private financing with securities.	as prescribed in Protection of Shareholders' Equity, in matters to be passed by supermajority resolution and special resolution, separately. 2. According to the Companies Law of Cayman Islands, the following matters shall be passed by special resolution: (1) Amending the Articles of Incorporation According to the law of Cayman Islands, amendments to the Articles of Incorporation shall be passed by special resolution as prescribed in the Companies Law of Cayman Islands; therefore, Article 15.7 of the Company's Articles of Incorporation does not stipulate that amendments to the Articles of Incorporation shall be passed by supermajority resolution, as prescribed in Protection of Shareholders' Equity. According to Article 9.1 of the Company's Articles of Incorporation, if changes in or amendments to the Company's Articles of Incorporation will cause damage to the priority of any type of shares, such changes or amendments shall be passed by special resolution at the shareholders' meeting attended by shareholders whose shares are damaged according to the Companies Law of Cayman Islands. (2) Corporate dissolution According to the law of Cayman Islands, if a company fails to pay off its debts due and resolves to dissolve voluntarily, such dissolution shall be passed by ordinary resolution; however, if a company dissolves for reasons other than the aforesaid one, such dissolution shall be passed by special resolution according to the law of Cayman Islands. Therefore, Article 12.5 of the Company's Articles of Incorporation does not stipulate that corporate dissolution shall be passed by supermajority resolution, as prescribed in Protection of Shareholders' Equity.

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
	(3) Corporate merger The law of Cayman Islands has a mandatory regulation pertaining to the voting method of corporate mergers defined under the law of Cayman Islands; therefore, Subparagraph (b), Article 12.4 of the Company's Articles of Incorporation stipulates that corporate mergers (other than those defined under the law of Cayman Islands) shall be passed by supermajority resolution. 3. According to private financing with securities under "I. Capital Formation and Changes" of Protection of Shareholders' Equity, the Company's Articles of Incorporation stipulate that the Company may engage in private placement of any equity-type securities within the territory of the Republic of China according to the rules of publicly listed companies with the resolution adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the Company.
1. The term of office of a director or supervisor shall not exceed three years, but he/she may be eligible for re-election. 2. In the process of electing directors at a shareholders' meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect.	The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.
1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.	The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
2. The term of office of a supervisor shall not exceed three years, but he/she may be eligible for re-election. 3. In case all supervisors of a company are discharged, the Board of Directors shall, within 60 days, convene a special meeting of shareholders to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the company and may at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon. 5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the meeting of shareholders. 6. In performing their functional duties under the preceding Paragraph, the supervisors may appoint a certified public accountant or attorney on behalf of the company to conduct the auditing in their behalf. 7. Supervisors of a company may attend the meeting of the Board of Directors to express their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the Board of Directors or the director, as the case may be, to cease such act. 8. Supervisor may each exercise the supervision power individually.	

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.	
1. A shareholder who has held greater than 3% of outstanding shares of the company may submit a written request to a supervisor to initiate litigation against a director on behalf of the company. The court of first instance shall be Taiwan Taipei District Court. 2. Where the supervisor does not initiate litigation when a period of 30 days has passed after the shareholder makes the request, the shareholder may initiate litigation on behalf of the company. The court of first instance shall be Taiwan Taipei District Court.	The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors. The Company passed the amendments to the Articles of Incorporation by special resolution at the shareholders' meeting on September 13, 2012. According to amended Article 16.4 of the Articles of Incorporation, "A shareholder who has held greater than 3% of outstanding shares of the Company may submit a written request to the independent director of the Audit Committee to initiate litigation against a director on behalf of the Company. The court in charge shall be the court with jurisdiction (including Taiwan Taipei District Court). Where the independent director of the Audit Committee does not initiate litigation when a period of 30 days has passed after receiving the request, the shareholder may initiate litigation on behalf of the Company without violating the law of Cayman Islands. The court in charge shall be the court with jurisdiction (including Taiwan Taipei District Court)".
1. The director of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company, and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company there-from If the said act is implemented by the director himself or herself, or another party, the shareholders' meeting may resolve and consider an earning received from the said act as an earning of the company. 2. If the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus	The Company has incorporated related provisions under Protection of Shareholders' Equity into Articles 27.4 and 29.5 of the Articles of Incorporation. According to the attorney of Cayman Islands, the Companies Law of Cayman Islands has no special regulation pertaining to directors' obligations. Based on the principle of Common Law, a director of the Company (a) has fiduciary duties of loyalty, honesty, and good intention, and (b) is under obligation of care, diligence, and professionalism. The Company may seek Remuneration from a director who violates these obligations. If a director is in breach of an obligation for personal interests, the Company may request such interests from

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Difference
caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person. 3. A managerial officer and a supervisor shall bear, within the scope of their duties, the same liabilities as a director of the company when causing damages.	the director. The attorney of Cayman Islands also indicates that, based on the principle of Common Law, a director of the Company represents the Company when performing duties and the director's acts will be deemed the Company's acts. If such acts cause damage to any third party, the Company (rather than the director) shall be responsible for the third party. The third party claiming damages may not request the director to be responsible by referring the Company's Articles of Incorporation because the third party, who is not a shareholder of the Company, is not entitled to exercise the Company's Articles of Incorporation. When the Company is responsible for the third party due to a director's violation of obligations, the Company may seek Remuneration from the director for the said loss. In addition, a managerial officer usually does not have fiduciary duties for the Company. Notwithstanding the provision in the Articles of Incorporation, the provision is not enforceable on a managerial officer as the managerial officer is not a party of the Articles of Incorporation. A managerial officer's obligations shall be imposed through contractual agreements. The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.

Fulgent Sun International (Holding) Co., Ltd.

Lin Wen Chih
Chairman