



Fulgent Sun International (Holding) Co., Ltd.

Annual Report 2019



Fujian Sunshine Footwear Co., Ltd.



Fulgant Sun Footwear Co., Ltd.



Sunny Footwear Co., Ltd.



Capital Concord Enterprises Limited Taiwan Branch (Operation Location)



Hubei Sunsmile Footwear Co., Ltd.



Lin Wen Chih Sunbow Enterprises Co., Ltd.



NGOC HUNG Footwear Co., Ltd.

Market Observation Post System Website: <http://mops.twse.com.tw>

Company Website: <http://www.fulgentsun.com>

Printed on April 30, 2020

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Laya Outdoor Products Limited TEL: (886)5-551-4619
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Subsidiary of Hong Kong in Taiwan

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V.Name of Certified Public Accounts for the Latest Financial Report, and Name, Address, Website, and Contact Number of Accounting Firm:

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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.Board of Directors List:**

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	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 Branch Manager, Northern Taichung Branch, Douliu Branch and Zhongxiao Road Branch of First Commercial Bank Senior Associate Manager and Director, Taichung Region Center of First Commercial Bank
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
Independent Director	Huang, Jing-Huang (Note 1)	ROC	PhD in Mechanical Engineering, Northwestern University Master in Mechanical Engineering, University of New Mexico Review Committee Member for High-Tech Equipment and Advanced Technology Development Project from Ministry of Science and Technology Master in Mechanical Engineering, Director of Department of Mechanical and Computer-Aided Engineering, Feng Chia University Dean of College of Engineering and Science, Feng Chia University Vice Dean, Office of Industry-Academia Cooperation Director and Lifetime Distinguished Professor, Feng Chia University

Title	Name	Nationality	Education and Work Experience
Independent Director	Li, Chun-An (Note 1)	ROC	PhD in Business Administration, National Chengchi University Master in Business Administration, National Taiwan University Certified Public Accountant Director of Department of Finance, National Yunlin University Of Science and Technology Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology Honorary Professor of Department of Finance, National Yunlin University of Science and Technology
Independent Director	Wu, Jun-Ming (Note 1)	ROC	Department of Accounting, Soochow University Vice President, Underwriting Department of Hua Nan Securities Vice President, Underwriting Department of the Capital Group Senior Vice CEO, Corporate Financing Department, the Capital Group
Director	Yu, Man-Sang (Note 2)	Hong Kong	Department of International Trade, Xiamen University Executive Vice President, Fulgent Sun International (Holding) Co., Ltd.
Independent Director	Kuo, Shaw-Long (Note 3)	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.

Note1:Huang, Jing-Huang, Li, Chun-An and Wu, Jun-Ming were elected the independent directors of the Company at the Shareholders' Meeting held on June 12, 2019.

Note2:Director Yu, Man-Sang resigned from the office after thereelection of directors held on June 12, 2019.

Note3:Independent Director Kuo, Shaw-Long resigned after the election of redirectors held on June 12, 2019.

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 2019 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 2019 is NT\$12,842,525,000, including outdoor shoes sales accounting for 84.8%, sports shoes sales accounting for 14.3% and other sales accounting for 0.9%. Under the clear trend of Groups' increasing sales revenue, the Company was capable of increasing revenue and save expenditures, demonstrating a solid and robust performance in operation. The Group increased gross profit from 18.0% of 2018 to 19.7%. Moreover, under the pragmatic and rigid control of expenses by the management team, as well as the effective elaboration of economic scale, the expenditure rate was down 1.4% from the 9.7% of 2018 to 8.3%. The Group's operating profit was directly and substantially by 3.0%, increased from the 8.3% of 2018 to 11.3%, which hit another record high for the year and attributed a net profit after tax of NT\$ 1,279,195,000 to the parent company. The after-tax earnings per share (EPS) was NT\$7.81, EPS has surpassed NT\$5 for four 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 as the base for production expansion. We expect to create more flexible order-taking advantages and capacity distribution in order to achieve substantial increase in volume and profit in 2020. The revenue ratios of China and non-China in 2019 are 34% and 66%, respectively. The Company has successfully achieved and eventually overcome the learning curve in new production lines in Non-China regions. Our capacity ratio has increased to two thirds while the capacity by Vietnam factories have surpassed that in China for the first time, as Cambodian factories are on the rise as well, which conforms to the Group's plans by phase.

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. We plan to incorporate the output of China, Vietnam and Cambodia, each accounting 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(The 2019 appraisal outcome of the Company ranks top 6% to 20% percentile among all listed companies), 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\$803 million, 743 million and 1,279 million respectively; with the philosophy 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, the Company intends to 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: The Company was established on November 24, 2009.

2. Company History

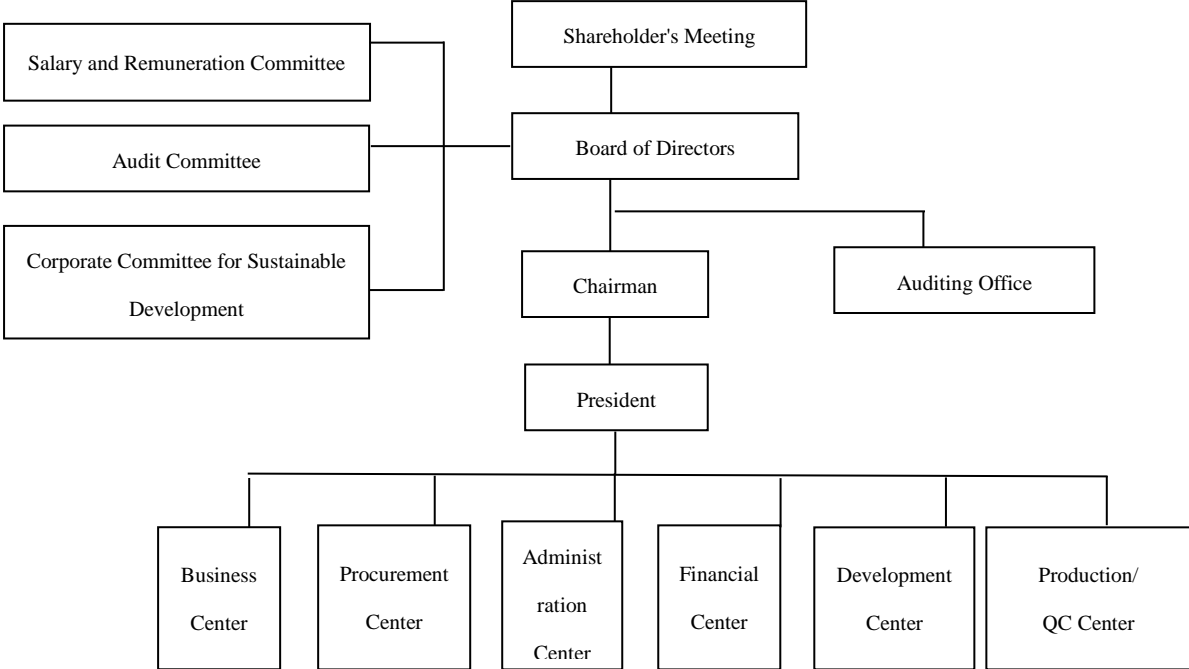
Year	Important Chronicle
1994	Capital Concord Enterprises Limited was established in December as a controlling company of shareholders' investment in China.
1995	In March, Fujian Sunshine Footwear Co., Ltd. was established to produce and export sports shoes and outdoor shoes as an OEM.
1996	In August, 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	In January, Fulgent Sun Footwear Co., Ltd. was established 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

Year	Important Chronicle
2011	Sportiva to expand domestic market in China. 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.
2019	In November, Fulgent Sun International (Holding) Co., Ltd. was selected in “MSCI Taiwan Small Cap Index.”
2020	In April, Fulgent Sun International (Holding) Co., Ltd was awarded the Top 6%~20% Enterprises in the Six Corporate Governance Appraisal by TWSE.

III. Corporate Governance Report

1. Organization System

(1) Organization Chart



(2)Responsibilities and Functions of Major Departments

Department	Responsibility
<p style="text-align: center;">Audit Committee</p>	<ol style="list-style-type: none"> 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.
<p style="text-align: center;">Corporate Committee for Sustainable Development</p>	<p style="text-align: center;">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.</p> <ol style="list-style-type: none"> 1.Economic Issues Subcommittee <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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.

Department	Responsibility
	<p>3.Society Issues Subcommittee</p> <p>3.1 Maintain the basic rights of employees and strive to contribute to employees, stakeholders, and the society with good corporate citizenship.</p> <p>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.</p> <p>4.Ethical Management Issues Subcommittee</p> <p>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.</p> <p>4.2 Set up a grievance system and have designated persons take charge of the follow-ups.</p>
Salary and Remuneration Committee	<p>1.Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers.</p> <p>2.Regularly review and stipulate the salaries and remunerations of directors and managerial officers.</p>
Auditing Office	<p>1.Establish, amend, and approve the ICS of the Company.</p> <p>2.Implement the audits and independent assessment of the operation of the head office and branches.</p> <p>3.Research, improve, and recommend matters associated with laws and regulations and auditing techniques.</p>
Business Center	<p>1.Plan business goals and strategies.</p> <p>2.Provide marketing promotion plans.</p> <p>3.Set business performance and areas.</p> <p>4.Plan annual budgets.</p> <p>5.Set and manage prices.</p> <p>6.Development sales representatives.</p> <p>7.Manage channel conflicts.</p> <p>8.Integrate business resources.</p>
Procurement Center	<p>1.Develop, introduce, and manage suppliers.</p> <p>2.Plan and implement external processing.</p> <p>3.Plan and purchase raw materials and manage inventories</p>
Administration Center	<p>1.Purchase stationery, consumable supplies, and expense-based assets.</p>

Department	Responsibility
	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.Convvene 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. 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.

Title	Nationality or Country of Registration	Name	Gender	Date Elected (Office)	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			Remarks
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship	
Director	ROC	Liao, Fang-Chu	F	2019/6/12	3 Years	2013/6/21	1,648	1.03	1,648	0.94	25,567 (Note 2)	14.60	20,070 (Note 2)	11.46	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 and President, Fujian La Sportiva Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises 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 within Second Degree of Kinship	Note 7
Director	ROC	Liao, Chih-Cheng	M	2019/6/12	3 Years	2016/6/15	265	0.17	265	0.15	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Master in Finance Assistant Manager, First Bank	Director, Capital Concord Enterprises Limited Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Inspector, Fulgent Sun Footwear Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Inspector, NGOC HUNG Footwear Co., Ltd. Spokesperson, Fulgent Sun International (Holding) Co., Ltd. Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. CFO, Fulgent Sun International (Holding) Co., Ltd. CGO, Fulgent Sun International (Holding) Co., Ltd.	-	-	-	-

Title	Nationality or Country of Registration	Name	Gender	Date Elected (Office)	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			Remarks
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship	
Independent Director	ROC	Chang, Kun-Hsien	M	2019/6/12	3 Years	2016/6/15	-	-	-	-	-	-	-	-	Supplementary Open Junior College For Public Administration, National Chengchi University Branch Manager, Northern Taichung Branch, Douliu Branch and Zhongxiao Road Branch of First Commercial Bank Senior Associate Manager and Director, Taichung Region Center of First Commercial Bank	None	-	-	-	-
Independent Director	ROC	Hsu, Ai-Chi	M	2019/6/12	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 Associate Professor of Department of Finance, National Yunlin University of Science and Technology	None	-	-	-	-
Independent Director	ROC	Huang, Jing-Huang (Note 3)	M	2019/6/12	3 years	2019/6/12	-	-	-	-	-	-	-	-	PhD in Mechanical Engineering, Northwestern University Master in Mechanical Engineering, University of New Mexico Review Committee Member for High-Tech Equipment and Advanced Technology Development Project from Ministry of Science and Technology Director of Department of Mechanical and Computer-Aided Engineering, Feng Chia University, Dean of College of Engineering and Science, Feng Chia University Vice Dean, Office of Industry-Academia Cooperation Director and Lifetime Distinguished Professor, Feng Chia University	Director, WINSON Machinery Casting Co., Ltd Independent Director, China Fineblanking Technology Co., Ltd.	-	-	-	-

Title	Nationality or Country of Registration	Name	Gender	Date Elected (Office)	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			Remarks
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship	
Independent Director	ROC	Li, Chun-An (Note 3)	M	2019/6/12	3 Years	2019/6/12	-	-	-	-	-	-	-	-	PhD in Business Administration, National Chengchi University Master in Business Administration, National Taiwan University Certified Public Accountant Director of Department of Finance, National Yunlin University Of Science and Technology Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology Honorary Professor of Department of Finance, National Yunlin University of Science and Technology	Supervisor, Shuang-Bang Industrial. Corp.	-	-	-	-
Independent Director	ROC	Wu, Jun-Ming (Note 3)	M	2019/6/12	3 Years	2019/6/12	-	-	-	-	-	-	-	-	Department of Accounting, Soochow University Vice President, Underwriting Department of Hua Nan Securities Vice President, Underwriting Department of the Capital Group Senior Vice CEO, Corporate Financing Department, the Capital Group	Independent Director, Tecstar Technology Co., Ltd. Independent Director, Lian Hong Technology Co., Ltd.	-	-	-	-
Director	Hong Kong	Yu, Man-Sang (Note 5)	M	2016/6/15	3 Years	2009/11/24	4,328 (Note 4)	3.26	4,026	2.30	-	-	-	-	Department of International Trade, Xiamen University Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. Executive Vice President, Fujian Sunshine Footwear Co., Ltd.	None	-	-	-	-

Title	Nationality or Country of Registration	Name	Gender	Date Elected (Office)	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			Remarks
							Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship	
Independent Director	ROC	Kuo, Shaw-Long (Note 6)	M	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, Taiwan Private Equity Association Deputy Secretary General, Taiwan Venture Capital Association	Supervisor, SILKROADTAIWAN INC Special Assistant to Chairman, Tummy Town	-	-	-	-

Note1: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.

Note2: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.

Note3:Huang, Jing-Huang, Li, Chun-An and Wu, Jun-Ming were elected the independent director of the Company at the Shareholders' Meeting held on June 12, 2019.

Note4:Shares directly held by Yu, Man-Sang through the custodial account used by CTBC Bank.

Note5:Director Yu, Man-Sang resigned from the office after the election of directors held on June 12, 2019.

Note6:Independent Director Kuo, Shaw-Long resigned after the election of directors held on June 12, 2019.

Note7:The president and the Chairman are spouses. Both the Chairman and President own diverse experiences in functions of shoe sectors. Moreover, President Liao has taken considerably important role in previous daily operation performance for years and also controls the future operation execution in reality, who is qualified as the most ideal candidate for president. Additionally to strengthen the supervisory function of Board of Directors, the Company adds the seats for independent directors from the previous 3 seats to 5 seats, with the majority of directors not concurrently working as the employees or managers.

- II. Supervisors: as the Company has set the Audit Committee, there is no supervisor.
- III. Principal shareholder of corporate shareholder: the directors and independent directors of the Company are not representatives of corporate shareholder, therefore it doesn't apply.
- IV. 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:

April 30, 2020

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	11	12		
Chairman Lin, Wen-Chih	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	✓	✓	-
Director Liao, Fang-Chu	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	✓	✓	-
Director Liao, Chih-Cheng	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-
Independent Director Chang, Kun-Hsien	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director Hsu, Ai-Chi	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director Huang, Jing-Huang (Note 2)	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	1
Independent Director Li, Chun-An (Note 2)	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-
Independent Director Wu, Jun-Ming (Note 2)	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	2
Director Yu, Man-Sang (Note 3)	-	-	✓	✓	-	-	-	✓	✓	✓	✓	-	✓	✓	✓	✓	-
Independent Director Kuo, Shaw-Long (Note 4)	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-

Note1: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 (including but not limited to independent director of the company of the parent company, subsidiary or the subsidiary of the same parent company, according to the Regulation or the local regulations of registered country.)
- (6) Not a director - member of the governing board or the director, supervisor or employee of other company controlled by the same person having majority of voting shares (including but not limited to the independent director of the company or the parent company, subsidiary or the subsidiary of the same parent company, according to the Regulation or the local regulations of registered country.)
- (7) Not the director of the governing board, supervisor of supervisor's board (supervisor) or employee is the same person as the chairman, president or having equivalent position of the company, or the whose spouse is the director of governing board (director), supervisor of supervisor's board (supervisor), president, or position with equivalent power of the company (including but not limited to the independent director of the company and parent company, subsidiary company or the subsidiary of the same parent company, according to the Regulation or the local regulations of registered country.)
- (8) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholders holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company (including but not limited to such affiliated company or institution holding between 20% ~ 50% of the total outstanding shares issued by the Company; moreover such person is taking concurrent position as the independent director of the Company, parent company, subsidiary company, or the subsidiary company under the same parent company, in accordance with the local law or the law and regulation established in local country registered.)
- (9) 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, or the cumulative amount of compensation acquired from the latest two years does not exceed NTD500,000, provided that this restriction does not apply to the members of Salary and Remuneration Committee performing their official powers, the Public Merger and Acquisition Review Committee or the Special Merger and Acquisition Committee, under the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within the second degree of kinship with any director.
- (11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (12) 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.

Note2:Huang, Jing-Huang, Li, Chun-Ann and Wu, Jun-Ming were elected the independent director of the Company at the Shareholders' Meeting held on June 12, 2019.

Note3:Director Yu, Man-Sang resigned from the office after the reelection of directors held on June 12, 2019.

Note4:Independent Director Kuo, Shaw-Long resigned after the reelection of directors held on June 12, 2019.

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

As of April 14, 2020; Unit: Thousand Shares; %

Title	Nationality	Name	Gender	Date Elected (Office)	Shares Held When Elected		Currently Held by Spouse and Minor		Shares Held under Others		Education and Work Experience	Current Position in Other Companies	Managerial Officers who Are Spouses or within Second Degree of Kinship			Remarks
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship	
Group President	ROC	Liao, Fang-Chu	F	2010 12/29	1,648	0.94	25,567 (Note 1)	14.60	20,070 (Note 1)	11.46	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 and President, Fujian La Sportiva Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Director, NGOC HUNG Footwear Co., Ltd. CEO, Fulgent Sun International (Holding) Co., Ltd.	Chairman	Lin, Wen-Chih	Spouse	Note 5
Executive Vice President	ROC	Liao, Chih-Cheng	M	2011 5/16	265	0.15	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Master in Finance Assistant Manager, First Bank	Director, Capital Concord Enterprises Limited Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Inspector, Fulgent Sun Footwear Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Inspector, NGOC HUNG Footwear Co., Ltd. Spokesperson, Fulgent Sun International (Holding) Co., Ltd. Fulgent Sun International (Holding) Co., Ltd. CGO, Fulgent Sun International (Holding) Co., Ltd.	-	-	-	-
Group CFO	ROC	Fan, Chen-Hsiang	M	2011 6/1	310	0.18	-	-	-	-	Department of Accounting, Feng Chia University Accounting Manager, Soaring Technology Co., Ltd.	None	-	-	-	-

Title	Nationality	Name	Gender	Date Elected (Office)	Shares Held When Elected		Currently Held by Spouse and Minor		Shares Held under Others		Education and Work Experience	Current Position in Other Companies	Managerial Officers who Are Spouses or within Second Degree of Kinship			Remarks
					Number of Shares	Ratio	Number of Shares	Ratio	Number of Shares	Ratio			Title	Name	Relationship	
Group audit associate manager	ROC	Chou, Yu Fan	F	2011 5/16	23	0.01	-	-	-	-	Department of Accounting, Chaoyang University of Technology Audit Manager, Zongtai Real Estate Development Co., Ltd.	None	-	-	-	-
Vice President of Procurement	ROC	Lin, Feng-Yun (Note 2)	F	2016 10/3	-	-	-	-	-	-	Ming Chuan Girls' Commercial College	None	-	-	-	-
Vice President of Sales	ROC	Chen, Ming-Hsien	M	2015 8/1	63	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. Supervisor, Fujian La Sportiva Co., Ltd. Supervisor, Fujian Laya Outdoor Products Co., Ltd.	-	-	-	-
Vice President of Production, China	RPC	Huang, Xu-Ming	M	2013 9/1	92 (Note 3)	0.05	-	-	-	-	Qingliu No.2 High School in Sanming City, Fujian Province	None	-	-	-	-
Vice President of production, Cambodia	ROC	Chen, Shih-Chin (Note 4)	M	2015 8/3	-	-	-	-	-	-	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	M	2018 12/12	281	0.16	-	-	-	-	Master of Arts, Institute of Labor Relations, National Zhongzheng University	None	Chairman	Lin, Wen-Chih	within Second Degree of Kinship	-
													President	Liao, Fang- Chu	within Second Degree of Kinship	

Note1: Shares are held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse Lin, Wen-Chich include those held by the spouse and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.

Note2: Vice President of Procurement Lin, Feng-Yun has applied for retirement on April 1, 2019.

Note3: Shares directly held by Huang, Xu-Ming through the custodial account used by CTBC Bank.

Note4: Vice President of production, Cambodia Chen, Shih-Chin resigned on March 1, 2019.

Note5: The president and the Chairman are spouses. Both the Chairman and President own diverse experiences in functions of shoe sectors. Moreover, President Liao has taken considerably important role in previous operation performance and also controls the daily operation execution in reality for years, who is qualified as the most ideal candidate for president. Additionally to strengthen the supervisory function of Board of Directors, the Company adds the seats for independent directors from the previous 3 seats to 5 seats, with the majority of directors not concurrently working as the employees or managers.

3.Compensations to Directors, Supervisors, President and Vice Presidents in the Most Recent Year

(1)Compensations to Directors and Independent Directors

Unit: NT\$1,000; %

Title	Name	Compensations to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remunerations Paid to Concurrent Employees								Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income (%)		Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Remuneration (A)		Severance Pay (B) (Note1)		Directors' Remuneration (C) (Note2)		Business Execution Expenses (D)		Salary, Bonus and Allowances (E)		Severance Pay (F) (Note 1)		Employees' Remuneration (G)				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	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						
														Cash Amount	Stock Amount	Cash Amount	Stock Amount					
Directors	Lin, Wen-Chih																					
	Liao, Fang-Chu																					
	Liao, Chih-Cheng	-	-	-	-	-	7,400	-	-	-	0.58	-	26,953	-	216	-	-	3,894	-	-	3.01	None
	Yu, Man-Sang (Note 4)																					
Independent Directors	Chang, Kun-Hsien																					
	Hsu, Ai-Chi																					
	Huang, Jing-Huang (Note 5)																					
	Li, Chun-An (Note 5)	-	-	-	-	-	2,600	-	150	-	0.22	-	-	-	-	-	-	-	-	-	0.22	None
	Wu, Jun-Ming (Note 5)																					
	Kuo, Shaw-Long (Note 6)																					

1. Please describe the policy, system, standards and structure of compensations paid to independent directors, and explain the association with amount of compensation, relative to responsibility, risk, period of commitment, and other factors:

The compensations to the independent directors of the Company take into consideration the evaluation of director performance and comply with the Provisions set forth in Article 34.1 of the Articles of Incorporation, where the Salary and Remunerating Committee resolves and submits report to the Board of Directors for final resolution by the involvement and value of contribution made by individual director in corporate operation, in accordance with the rationality and fairness of respective responsibility and risk associated with compensations.

2. Except for the foregoing disclosed from the table, the compensations paid for services provided by all companies listed in financial statements to the directors of the Company in the most recent year (i.e. the concurrent position of consultant, other than employees): NT\$ 0.

Remunerations Brackets

Brackets of Remunerations Paid to Paid to Directors	Name of Directors			
	Total of 4 Remunerations (A+B+C+D)		Total of 7 Remunerations (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\$1,000,000	-	Hsu, Ai-Chi, Huang, Jing-Huang, Li, Chun-An, Wu, Jun-Ming, Yu, Man- Sang	-	Hsu, Ai-Chi, Huang, Jing-Huang, Li, Chun-An, Wu, Jun-Ming, Yu, Man- Sang,
NT\$1,000,000 ~ NT\$2,000,000 (excluded)	-	Liao, Chih-Cheng, Chang, Kun-Hsien, Kuo, Shaw-Long	-	Chang, Kun-Hsien, Kuo, Shaw-Long
NT\$2,000,000 ~ NT\$3,500,000 (excluded)	-	Liao, Fang- Chu	-	-
NT\$3,500,000 ~ NT\$5,000,000 (excluded)	-	Lin, Wen-Chih	-	-
NT\$5,000,000~ NT\$10,000,000 (excluded))	-	-	-	Liao, Chih-Cheng
NT\$10,000,000~ NT\$15,000,000 (excluded)	-	-	-	Liao, Fang- Chu
NT\$15,000,000~ NT\$30,000,000 (excluded)	-	-	-	Lin, Wen-Chih
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	-	10 People	-	10 People

Note1:No severance pay was given out that year but from the appropriated pension

Note2:The directors' remuneration has been approved by the Board of Directors and is to be resolved by the shareholders' meeting

Note3:The remuneration disclosed in this table is based on a concept different from income stipulated in the Income Tax Act. The purpose of the table aims to disclose information, instead of taxation

Note4:Director Yu, Man-Sang resigned from the office after the election of directors held on June 12, 2019.

Note5:Huang, Jing-Huang, Li, Chun-An and Wu, Jun-Ming were elected the independent directors of the Company at the Shareholders' Meeting held on June 12, 2019.

Note6:Independent Director Kuo, Shaw-Long resigned after the reelection of directors held on June 12, 2019.

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

(3) Remunerations paid to the President and Vice Presidents

Unit: NT\$1,000; %

Title	Name	Salary (A)		Severance Pay (B) (Note1)		Bonuses and Allowances (C)		Employees' Remuneration (D) (Note2)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration Paid to Directors from A Reinvested Company Other than the Company's Subsidiary
		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		The Company	All Companies Listed in Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Group President	Liao, Fang-Chu	-	14,877	-	541	-	12,954	-	-	7,339	-	-	2.80	None
Executive Vice President	Liao, Chih-Cheng													
Vice President of Procurement	Lin, Feng-Yun (Note 4)													
Vice President of Production, China	Huang, Xu-Ming													
Vice President of Sales	Chen, Ming-Hsien													
Vice President of production, Cambodia	Chen, Shih-Chin (Note 5)													
Executive vice president, Cambodian	Lin, Wen-Kuang													
Group CFO	Fan, Chen-Hsiang													

Remunerations Brackets

Brackets of Remunerations Paid to Presidents and Vice Presidents	Name of President and Vice President	
	The Company	All Companies Listed in Financial Statements
Less than NT\$1,000,000	-	Lin, Feng-Yun, Chen, Shih-Chin
NT\$1,000,000 ~ NT\$2,000,000 (Excluded)	-	-
NT\$2,000,000 ~ NT\$3,500,000 (Excluded)	-	Fan, Chen-Hsiang
NT\$3,500,000 ~ NT\$5,000,000 (Excluded)	-	Lin, Wen -Kuang
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	-	8 people

Note1: No severance pay was given out that year but from the appropriated pension

Note2: The directors' remuneration has been approved by the Board of Directors and is to be resolved by the shareholders' meeting.

Note3: The remuneration disclosed in this table is based on a concept different from income stipulated in the Income Tax Act. The purpose of the table aims to disclose information, instead of taxation.

Note4: Vice President of Procurement Lin, Feng-Yun has applied for retirement on April 1, 2019.

Note5: Vice President of production, Cambodia Chen, Shih-Chin resigned on March 1, 2019.

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

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	-	7,339	7,339	0.57
	Vice President	Lin, Wen -Kuang				
	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.

I. 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	2018				2019			
	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	-	43,312	-	5.83	-	41,213	-	3.23
President & Vice President	-	41,201	-	5.55	-	35,711	-	2.80

II. 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. In particular, titles, ranking, education (experience), expertise, and responsibilities are items taken into account for salary while bonuses take into consideration items for performance evaluation of managers, including financial indicators (corporate revenue, pre-tax net income and net income completion) and expertise (financial accounting, operational management, industry knowledge, and decision-making capacity).

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

(1)The Board’s Operation

A total of six meetings of the Board of Directors were held in 2019. The attendance of directors and independent directors is as follows (Two Board of Directors Meetings were called twice before the 2019 reelection and 4 times after the reelection):

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Remark
Chairman	Lin, Wen-Chih	6	0	100	Reelected (Note)
Director	Liao, Fang-Chu	6	0	100	
Director	Liao, Chih-Cheng	6	0	100	
Independent Director	Chang, Kun-Hsien	5	1	83	Reelected (Note)
Independent Director	Hsu, Ai-Chi	6	0	100	
Independent Director	Huang, Jing-Huang	3	1	75	Elected (Note)
Independent Director	Li, Chun-An	4	0	100	
Independent Director	Wu, Jun-Ming	4	0	100	
Director	Yu, Man-Sang	2	0	100	Previous Tenure (Resigned after the reelection held on 2019/6/12)
Independent Director	Kuo, Shaw-Long	2	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

Date and session of Board Meeting	Agenda	Opinions by Independent Director	Processing of Opinions by Independent Director
2019.3.8 The 17 th time of the fourth session	Case:Lifting the non-competition for new directors elected and their respective proxies.	None	N/A
2019.5.2 The 18 th time of the fourth session	Case:Amendment of documentation for internal control, including “Other Management Operations – Board of Meeting Agenda Operation Management” and “Standards for Board of Director Meeting Agenda.”	None	N/A
	Case:Amendment of partial clauses for “Endorsement and Guarantee Procedures” and “Procedures for Loans to Others” of the Company.	None	N/A

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

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Remark										
<p>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.</p> <p>3. Execution of Board of Directors Evaluation:</p> <table border="1"> <thead> <tr> <th>Evaluation Cycle</th> <th>Evaluation Period</th> <th>Scope of Evaluation</th> <th>Evaluation Method</th> <th>Content of Evaluation</th> </tr> </thead> <tbody> <tr> <td>Executed once a year</td> <td>Evaluation for performance between December of previous year to November of current year.</td> <td>Includes the performance evaluation for the overall Board of Directors, individual director members, and functional committee.</td> <td>Method of evaluation includes the internal self-evaluation by the Board of Directors, self-evaluation by member directors, peer evaluation, third-party professional institution, professionals, or other applicable method.</td> <td>Items of evaluating the performance of Board of Directors include the following five dimension: involvement of corporate governance, improvement of decision-making quality by Board of Directors, composition and structure of Board of Directors, continuous advanced studies for directors, and internal control.</td> </tr> </tbody> </table> <p>4. 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:</p> <p>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.</p> <p>B. Directors' advanced studies: To encourage directors' advanced studies, the Company arranges lecturers to teach and interact with directors on-site every year. For the implementation for directors' advanced studies this year, please refer to III. 4. (3) Implementation of Corporate Governance, Gaps in Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons for the Said Gaps.</p> <p>C. Improvement in information transparency: The Company attaches great importance to the rights and interests of investors and stakeholders. After 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.</p> <p>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.</p>						Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation	Executed once a year	Evaluation for performance between December of previous year to November of current year.	Includes the performance evaluation for the overall Board of Directors, individual director members, and functional committee.	Method of evaluation includes the internal self-evaluation by the Board of Directors, self-evaluation by member directors, peer evaluation, third-party professional institution, professionals, or other applicable method.	Items of evaluating the performance of Board of Directors include the following five dimension: involvement of corporate governance, improvement of decision-making quality by Board of Directors, composition and structure of Board of Directors, continuous advanced studies for directors, and internal control.
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Note: The Shareholders Meeting of the Company completed the fifth director election on June 12, 2019. The tenure commences from June 12, 2019 and expires on June 11, 2022.

(2)Composition, responsibilities and operation of the Audit Committee

I. Composition of Audit Committee

The committee is composed of all Independent directors, with no fewer than three persons, one of whom is Convener, 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 reelected; if it is dismissed for any reason, it should be elected by the recent shareholders' meeting.

II. 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. Appointment (dismissal) of CPA, 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.

III. Information on the operation of the Audit Committee

A. The audit committee of the company consists of five members.

The Audit Committee met 5 times in 2019 and Independent director attends as follows (Audit Committee was convened twice before the 2019 reelection and 3 times after the reelection):

Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Remarks
Independent Director	Chang, Kun-Hsien	4	1	80	Reelected (Note)
Independent Director	Hsu, Ai-Chi	5	0	100	Reelected (Note)
Independent Director	Huang, Jing-Huang	2	1	67	Elected (Note)
Independent Director	Li, Chun-An	3	0	100	Elected (Note)
Independent Director	Wu, Jun-Ming	3	0	100	Elected (Note)
Independent Director	Kuo, Shaw-Long	2	0	100	Previous Tenue (Note)

Other matters to be recorded:

1. Should any of the following take 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) For items listed in Article 14-5 of the Securities Exchange Act: Please refer to III (2) Implementation of Audit Committee for current year.

(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 does not have a 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. The 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. The independent directors had good communication with the CPAs.

Note: The Shareholders Meeting was reelected on June 12, 2019, where Chang, Kun-Hsien, Hsu, Ai-Chi, Huang, Jing-Huang, Li, Chun-An, and Wu, Jun-Ming were elected the independent directors of the Company. The tenure commences from June 12, 2019 and expires on June 11, 2022. Kuo, Shaw-Long resigned on June 12, 2019.

B. Implementations of Audit Committee for Current Year:

Board of Directors	Agenda and Subsequent Process	Outcome of Audit Committee Resolution	Actions for Opinion by Audit Committee
2019.3.8 The 17 th time of the fourth session	Case: Statement of Internal Control System in 2018.	Review Passed	Approved as Proposed
	Case: Consolidated Financial Statements of the Company in 2018.	Review Passed	Approved as Proposed
	Case: The Company's Annotated Accountant's Independent Evaluation in 2019.	Review Passed	Approved as Proposed
	Case: The Company increased investment in subsidiary, "Capital Concord Enterprises Limited."	Review Passed	Approved as Proposed
	Resolution of the Audit Committee (on March 8, 2019): All members of the Committee agreed to adopt the proposal. The Company's treatment of the audit committee's opinions: all directors present to agree to pass.		
2019.5.2 The 18 th time of the fourth session	Case: The Company's consolidated financial statements for the first quarter of 2019.	Review Passed	Approved as Proposed
	Case: Amendment of some clauses in "Articles of Incorporation."	Review Passed	Approved as Proposed
	Case: Amendment of "Level of Authority."	Review Passed	Approved as Proposed
	Case: Amendment of some clauses in the "Corporate Governance Best Practice Principles"	Review Passed	Approved as Proposed
	Case: Amendment of documentation for internal control, including "Other Management Operations – Board of Meeting Agenda Operation Management" and "Standards for Board of Director Meeting Agenda."	Review Passed	Approved as Proposed
	Case: Amendment of partial clauses for "Endorsement and Guarantee Procedures" and "Procedures for Loans to Others" of the Company.	Review Passed	Approved as Proposed
	Resolution of the Audit Committee (on May 2, 2019): All members of the Committee agreed to adopt the proposal. The Company's treatment of the audit committee's opinions: all directors present to agree to pass.		
2019.8.8 The 2 nd time of the fifth session	Case: The Company's consolidated financial statements for the second quarter of 2019.	Review Passed	Approved as Proposed
	Resolution of the Audit Committee (on August 8, 2019): All members of the Committee agreed to adopt the proposal. The Company's treatment of the audit committee's opinions: all directors present to agree to pass.		
2019.11.8 The 3 rd time of the fifth session	Case: The Company's consolidated financial statements for the third quarter of 2019.	Review Passed	Approved as Proposed
	Resolution of the Audit Committee (on November 8, 2019): All members of the Committee agreed to adopt the proposal. The Company's treatment of the audit committee's opinions: all directors present to agree to pass.		
2019.12.26 The 4 th time of the fifth session	Case: Develop 2020 Audit Plan	Review Passed	Approved as Proposed
	Case: Amendment of corporate "Ethical Management Practice."	Review Passed	Approved as Proposed
	Resolution of the Audit Committee (on December 26, 2019): All members of the Committee agreed to adopt the proposal. The Company's treatment of the audit committee's opinions: all directors present to agree to pass.		

(3)Implementation of Corporate Governance, Gaps in Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons for the Said Discrepancies

Evaluation Item	Implementation Status			Discrepancy 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 material discrepancy.
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 material discrepancy.
(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 material discrepancy.
(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	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
(4)Does the Company establish internal rules against insiders trading with undisclosed information?	✓		financial dealings associated with affiliated companies, to control related risks. (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 material discrepancy.
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. 1. The Company adopted the "Code of Practice on Corporate Governance" and developed a diversified approach in Chapter III, "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	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>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.</p> <p>2. The Company re-elected the 5th Board of Directors and set up 8 directors in June 2019. One of the board members was female. In addition to the one female member, Lin, Wen-Chih, Liao, Fang- Chu, Liao, Chih-Cheng, Huang, Jing-Huang, and Wu, Jun-Ming are experienced in management and decision-making; Lin, Wen-Chih, Liao, Fang- Chu, Liao, Chih-Cheng, Chang, Kun-Hsien, Hsu, Ai-Chi, Li, Chun-An, and Wu, Jun-Ming are experiences in finance and accounting; Chang, Kun-Hsien, Liao, Chih-Cheng, and Wu, Jun-Ming are experienced in banking and securities affairs.</p> <p>3. The ratio of directors of the Company as the employees is 38%, the ratio of independent director is 63%, the ratio of female directors is 13%; and 3 independent directors have</p>	

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																																																																									
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			<p>a service duration less than 3 years, 2 independent director have a service duration for 3 to 6 years; 5 directors are 60 to 69 years old, 3 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%.</p> <p>4. The Board of Directors sets out the diversification policy for the composition of its members, and exposes it on the Company’s website.</p> <p>5. The diversification of Board’s members:</p> <table border="1"> <thead> <tr> <th rowspan="2">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> </thead> <tbody> <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>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>Hsu, Ai-Chi</td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> </tr> <tr> <td>Huang, Jing-Huang</td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Li, Chun-An</td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Wu, Jun-Ming</td> <td>V</td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> </tbody> </table>	Name of Director	Industry Experience				Expertise				Bank	Securities	Trade	Management	Finance Accounting	Management	Industry knowhow	Decision-making ability	Lin, Wen-Chih			V	V	V	V	V	V	Liao, Fang- Chu			V	V	V	V	V	V	Liao, Chih-Cheng	V		V	V	V	V	V	V	Chang, Kun-Hsien	V		V	V	V			V	Hsu, Ai-Chi					V			V	Huang, Jing-Huang				V		V		V	Li, Chun-An				V	V	V		V	Wu, Jun-Ming	V	V			V	V		V	
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(2) Does the Company voluntarily establish other functional committees in addition to Salary and Remuneration Committee and the Audit Committee?	✓		<p>(2) In addition to setting up the Salary and Remuneration Committee and Audit Committee, the Company also set up a Corporate Committee for Sustainable Development in August 2019. The committee is composed of 8 directors (including five independent directors). Committee Chairperson and director Lin, Wen-Chih specializes in corporate governance and meets the expertise required for the Committee.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Time of actual Attendance</th> <th>Time of actual Attendance by proxy</th> <th>Rate of actual attendance (%)</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Lin, Wen-Chih</td> <td>1</td> <td>0</td> <td>100</td> </tr> <tr> <td>Director</td> <td>Liao, Fang- Chu</td> <td>1</td> <td>0</td> <td>100</td> </tr> <tr> <td>Director</td> <td>Liao, Chih-Cheng</td> <td>1</td> <td>0</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Chang, Kun-Hsien</td> <td>1</td> <td>0</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Hsu, Ai-Chi</td> <td>1</td> <td>0</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Huang, Jing-Huang</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Independent Director</td> <td>Li, Chun-An</td> <td>1</td> <td>0</td> <td>100</td> </tr> <tr> <td>Independent Director</td> <td>Wu, Jun-Ming</td> <td>1</td> <td>0</td> <td>100</td> </tr> </tbody> </table>	Title	Name	Time of actual Attendance	Time of actual Attendance by proxy	Rate of actual attendance (%)	Director	Lin, Wen-Chih	1	0	100	Director	Liao, Fang- Chu	1	0	100	Director	Liao, Chih-Cheng	1	0	100	Independent Director	Chang, Kun-Hsien	1	0	100	Independent Director	Hsu, Ai-Chi	1	0	100	Independent Director	Huang, Jing-Huang	0	1	0	Independent Director	Li, Chun-An	1	0	100	Independent Director	Wu, Jun-Ming	1	0	100	No material discrepancy.
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(3) Does the Company establish a guidelines for evaluating the Board of Director performance and the method of evaluation? Does the Company conduct annual performance evaluation and submit the outcome of performance evaluation to the Board of Directors in addition to applying such evaluation on the consideration for the remuneration of individual director and the renewal of nomination?	✓		(3) Fulgent Sun International (Holding) Co., Ltd. Board of Directors adopted the formulation of “Board of Directors Performance Evaluation Guidelines” on May 2, 2019. Directors shall conduct individual self-evaluation and functional committee adopting the overall self-evaluation or evaluation by others. At least one Board of Directors performance will be conducted and the period of internal evaluation for the Board of Directors is between December of previous year and November of current year. The outcome of internal performance evaluation for the Board of Directors shall be completed prior to the last Board of Director meeting convened for current year. The outcome of latest Board of Directors performance evaluation is as follows: Evaluation for Board of Directors and functional committee has completed implementation on December 26, 2019.	No material discrepancy.
(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	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																											
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			<p>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.</p> <p>Note: Standards for CPA Independence Evaluation</p> <table border="1"> <thead> <tr> <th>Item of assessment</th> <th>Result of assessment</th> <th>Independence</th> </tr> </thead> <tbody> <tr> <td>1. Does the CPA have direct or significant indirect financial interests with the Company?</td> <td>No</td> <td>V</td> </tr> <tr> <td>2. Does the CPA engage in financing activities with the Company or its directors?</td> <td>No</td> <td>V</td> </tr> <tr> <td>3. Does the CPA have a close business relationship and a potential employment relation with the Company?</td> <td>No</td> <td>V</td> </tr> <tr> <td>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?</td> <td>No</td> <td>V</td> </tr> <tr> <td>5. Does the CPA provide the Company non-audit items that may directly affect the audit?</td> <td>No</td> <td>V</td> </tr> <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> </tbody> </table>	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	6. Does the CPA act as agent for stocks or other securities issued by the Company?	No	V	7. Does the CPA act as the defender of the Company or on behalf of the Company to coordinate conflicts with other third parties?	No	V	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?	No	V	
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Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
4.Does the Company allocate 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.	✓		<p>The Company adopted the resolution adopted by the Board of Directors in May 2, 2019, and appointed Executive Vice President Liao Chih Cheng 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.</p> <p>(1)The implementation of the business is as follows:</p> <p>1.To assist independent director and general directors in carrying out their duties, providing necessary data and arranging directors' training:</p> <p>1.1 The development and revision of the latest laws and regulations related to the Company's business areas and corporate governance.</p> <p>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.</p>	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>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.</p> <p>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.</p> <p>2.To assist the Board of Directors and shareholders' meeting procedures and resolutions:</p> <p>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.</p> <p>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.</p> <p>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</p>	

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons										
	Yes	No	Description of Abstract											
			<p>contents of the resolutions, so as to protect the investors' trading information.</p> <p>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.</p> <p>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.</p> <p>(2)For 2019 advanced studies on corporate governance supervisor: Please refer to the company website.</p> <table border="1"> <thead> <tr> <th>Period of Advanced Studies</th> <th>Organizer</th> <th>Course Title</th> <th>Hours of Advanced Studies</th> <th>Hours of Advanced Studies in 2019</th> </tr> </thead> <tbody> <tr> <td>2019/10/28</td> <td>Accounting Research and Development Foundation</td> <td>Competent authority requires enterprises to establish Audit Regulations for practice in “Independent Directors” and “Audit Committee”</td> <td>6.0</td> <td>6.0</td> </tr> </tbody> </table>	Period of Advanced Studies	Organizer	Course Title	Hours of Advanced Studies	Hours of Advanced Studies in 2019	2019/10/28	Accounting Research and Development Foundation	Competent authority requires enterprises to establish Audit Regulations for practice in “Independent Directors” and “Audit Committee”	6.0	6.0	
Period of Advanced Studies	Organizer	Course Title	Hours of Advanced Studies	Hours of Advanced Studies in 2019										
2019/10/28	Accounting Research and Development Foundation	Competent authority requires enterprises to establish Audit Regulations for practice in “Independent Directors” and “Audit Committee”	6.0	6.0										
5.Does the Company establish communication channel of the	✓		The Company has set up a spokesperson, a deputy spokesperson, and a person in charge of stocks and disclosed their contact phone	No material discrepancy.										

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
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?			number and email on the Company website for stakeholders' inquiries.	
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 material discrepancy.
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 material discrepancy.
(2)Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information	✓		(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	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3)Does the company announce and declare the annual financial report in 2 months after the accounting year, in addition to making early announcement prior to the period required and report the quarter financial report for first, second and third quarter, and the monthly operations?	✓		timely manner. (3)The Company announces and declare the financial report early before the specified date. Please refer to the Market Observation Post System (website: https://mops.twse.com.tw/) for the financial reports of first, second and third quarters, and the monthly operations.	No material discrepancy.
8.Is there any other important information to facilitate a better understanding of the Implementation of 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	✓		(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: 1.The Company has set up "Investors" page on the Company website to help investors understand corporate finance and	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Description of Abstract													
management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>business.</p> <p>2.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.</p> <p>(3)Supplier relations: The Company requests suppliers to provide raw materials without hazardous substances.</p> <p>(4)Stakeholders' rights: The Company offers the latest information and communicates through a variety of channels to maintain the legal rights and interests of both the Company and stakeholders.</p> <p>(5)Advanced 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 2019 are as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Training Date</th> <th>Organizer</th> <th>Course Name</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Lin, Wen-Chih</td> <td>2019/6/12</td> <td>Taiwan Corporate Governance Association</td> <td>Global Management and Marketing Strategies for Taiwan</td> <td>3</td> </tr> </tbody> </table>	Title	Name	Training Date	Organizer	Course Name	Training Hours	Chairman	Lin, Wen-Chih	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
Title	Name	Training Date	Organizer	Course Name	Training Hours											
Chairman	Lin, Wen-Chih	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3											

Evaluation Item	Implementation Status					Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons			
	Yes	No	Description of Abstract						
					2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3	
			Director	Liao, Fang-Chu	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
					2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3	
			Director	Liao, Chih-Cheng	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
					2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3	
			Independent Director	Chang, Kun-Hsien	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
					2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3	

Evaluation Item	Implementation Status				Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons					
	Yes	No	Description of Abstract							
				Independent Director	Hsu, Ai-Chi	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
						2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3	
				Independent Director	Huang, Jing-Huang	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
						2019/8/7	Taiwan Corporate Governance Association	Response and Application of Board of Directors to Corporate Governance Assessment	3	
				Independent Director	Li, Chun-An	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
						2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3	
				Independent Director	Wu, Jun-Ming	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3	
						2019/11/6	Taiwan Stock Exchange Corporation	Briefing on How to Effectively Bring the Function of Directors into Full Play	3	

Evaluation Item	Implementation Status		Description of Abstract	Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>(7)Implementation of customer policies: The Company continues to offer customers products with stable quality, maintain a long-term relationship with customers, and promote customers' corporate social responsibility.</p> <p>(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.</p> <p>(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</p>	

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			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)	✓		<p>In order to improve governance performance, the following improvements were made in 2019.</p> <p>(1) The Company has established the Corporate Governance and Sustainable Development Committee in 2019. The committee comprises at least 3 people with the majority members including independent directors, who disclose the composition, functions and operations of the committee.</p> <p>(2) The Company established the corporate governance supervisor (part-time) who is responsible for operations related to corporate governance in 2019. The Company also explains the operations and execution of the units established on annual report and company website.</p> <p>(3) The company released material information in Chinese and English concurrently in 2019.</p> <p>(4) The Company's web site or MOPS discloses annual financial report in English (including financial statements and notes).</p>	No material discrepancy.

(4)Composition, Responsibility and Operation of the Salary and Remuneration Committee

I. Composition of the Salary and Remuneration Committee

To improve 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 independent director Hsu, Ai-Chi 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:

- A. Establishes and periodically reviews the performance evaluation and policies, system, standards, and structure of the remunerations for directors and managers. P
- B. Periodically evaluates and establishes remunerations and benefits for directors and managers.
- C. 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	Remark
		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		
Independent Director	Chang, Kun-Hsien	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent Director	Hsu, Ai-Chi	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent Director	Wu, Jun-Ming	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-

Note 1: 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. Not a director, supervisor or employee appointed as the representative of a director or supervisor according to paragraph 1 or paragraph 2 of Company Act (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.).
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholders holding 5% or more shares of any affiliated company or institution with financial services or financial operations 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) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholders holding 5% or more shares of any affiliated company or institution with financial services or financial operations with the Company (including but not limited to such affiliated company or institution holding between 20% ~ 50% of the total outstanding shares issued by the Company; moreover such person is taking concurrent position as the independent director of the Company, parent company, subsidiary company, or the subsidiary company under the same parent company, in accordance with the local law or the law and regulation established in local country registered.)
- (9) 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, or the cumulative amount of compensation acquired from the latest two years does not exceed NTD500,000, provided that this restriction does not apply to the members of Salary and Remuneration Committee performing their official powers, the Public Merger and Acquisition Review Committee or the Special Merger and Acquisition Committee, under the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

IV. Information on the Operations of Salary and Remuneration Committee

- A. The Salary and Remuneration Committee of the Company comprises of 3 members
- B. The term of service for members of the current Salary and Remuneration Committee: From June 12, 2019 to June 11, 2022. In 2019, the Salary and Remuneration Committee convened 3 meetings (One Salary Committee meeting was called before and two Salary Committee meetings were called after the 2019 reelection). 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 (%)	Remark
Independent Director	Chang, Kun-Hsien	3	0	100	Reelected (Note)
Independent Director	Hsu, Ai-Chi	3	0	100	Reelected (Note)
Independent Director	Wu, Jun-Ming	2	0	100	Elected (Note)
Independent Director	Kuo, Shaw-Long	1	0	100	Previous Tenue (Note)

Operations of Current Year:

Salary and Remuneration Committee	Content of Bill and Follow-up Processing	Resolution	The Company's views on Salary and Remuneration Committee
2019.3.8 The 10th time of the third session	Consideration of the distribution of remuneration and employee remuneration of 2018 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
2019.8.8 The first time of the fourth session	1.2018 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
2019.12.26 The second time of the fourth session	1.The payment of 2018 employees ' remuneration for managers. 2.2019 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): None.
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.

Note:Fulgent Sun International (Holding) Co., Ltd. appointed Chang, Kun-Hsien, Hsu, Ai-Chi and Wu, Jun-Ming as member of Salary and Remuneration Committee at the Board of Directors Meeting on June 12, 2019. Kuo, Shaw-Long was resigned on June 12, 2019.

(5) Discrepancy and Reason of Discrepancy for Implementing Social Responsibility and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
1. Does the Company conduct risk assessment on environmental, social and corporate governance agenda related to corporate operation according to the principles of materiality, in addition to establishing relevant risk management policy or strategy?	✓		1. The Company has established “Corporate Social Responsibility Practice Principles” to implement corporate governance, promote development of sustainable environment, and maintain public interests. The Company established “Procedures for Preventing Insider Transaction Management Process,” “Ethics Management Procedure and Conduct Guidelines” and “Procedures for Internal Control System Self-Evaluation” targeting at implementation of risk management policy. The content is developed according to the relevant laws and regulations.	No material discrepancy.
2. Does the Company establish a dedicated full-time (part-time) corporate social responsibility, as the Board of Directors authorizes the senior management for handling and reporting status to the Board of Directors?	✓		2. The Company has set up the “Corporate Governance and Sustainable Development Committee” 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 material discrepancy.
3. Environmental Issues (1) Does the Company establish	✓		(1) The Company complies with relevant environment, safety and	No material

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
applicable environmental management system according to the industry characteristics?			health law, regulations and other rules in all countries and region. The Company also complies with the provisions of brand clients regarding improved environment, safety and health management. Moreover, the Company promotes environmental protection and energy saving programs in zero plastics, waste recycling, water-based chemicals, waste water recycling, and replacement of clean energy, with continuous efforts in promoting safe, healthy and sustainable environment. With regards to environmental engineering, the Company is committed to mitigation measures in energy consumption, waste gas, waste water, and wastes. The waste water discharge by the production bases of the Company are conforming to the discharge standards required by local government.	discrepancy.
(2)Does the Company commit to upgrading the utilization of resources and use of recycled materials with low environmental impact?	✓		(2)The Company continues to implement energy management and recycling and improve the utilization of resources. In 2019, the Company's main production bases generated 1,460,121KG of non-hazardous waste and 27,915KG of hazardous waste and spent NT\$7,699,000 on environmental protection. Major energy-saving projects are as follows: 1.Hubei Sunsmile Footwear Co., Ltd. and Lin Wen Chih Sunbow Enterprises Co., Ltd. factories implemented solar power generation construction to reduce fuel consumption	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>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.</p> <p>2.The original steam condensate recovery system was changed into a fully closed system, which will improve the recovering temperature and usage rate of steam, and thereby to condensate and to save boilers' fuel consumption.</p> <p>3.Traditional fluorescent lamps were replaced with LED lights to reduce 657,544 kWh in 2019.</p> <p>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.</p> <p>5.The Company reduced volatile organic compounds that could harm employees' health and the environment, such as oily adhesives, treatments and cleaners.</p>	

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																
	Yes	No	Description of Abstract																	
(3) Does the Company evaluate the potential risk and opportunities of climate change on enterprises now and in the future, in addition to taking response actions to climate related issues?	✓		(3)	No material discrepancy.																
			<table border="1"> <thead> <tr> <th>Risk Identification</th> <th>Dimension</th> <th>Consideration of Risk Dimension</th> <th>Response Action</th> </tr> </thead> <tbody> <tr> <td>Laws and regulations</td> <td>Greenhouse gas inventory report Greenhouse gas control</td> <td>Carbon payment, increase of operational costs Limited capacity expansion</td> <td>Greenhouse gas reduction Utilization of environmental and sustainable raw materials Low-carbon production and energy use Use and efficiency boost of existing resources</td> </tr> <tr> <td>Climate disaster</td> <td>Wind, flood, draught, and extreme weather caused production interruption or reduction.</td> <td>Impact on capacity, declined revenue and property loss</td> <td>Strengthening employee disaster prevention concept Purchasing disaster prevention equipment Purchasing property insurance</td> </tr> <tr> <td>Other Factor</td> <td>Stakeholders require the Company to establish greenhouse gas emission control.</td> <td>Could not meet the requirement of stakeholders and affecting the positive image of the Company on stakeholders.</td> <td>Promote green-energy driven production</td> </tr> </tbody> </table>		Risk Identification	Dimension	Consideration of Risk Dimension	Response Action	Laws and regulations	Greenhouse gas inventory report Greenhouse gas control	Carbon payment, increase of operational costs Limited capacity expansion	Greenhouse gas reduction Utilization of environmental and sustainable raw materials Low-carbon production and energy use Use and efficiency boost of existing resources	Climate disaster	Wind, flood, draught, and extreme weather caused production interruption or reduction.	Impact on capacity, declined revenue and property loss	Strengthening employee disaster prevention concept Purchasing disaster prevention equipment Purchasing property insurance	Other Factor	Stakeholders require the Company to establish greenhouse gas emission control.	Could not meet the requirement of stakeholders and affecting the positive image of the Company on stakeholders.	Promote green-energy driven production
			Risk Identification		Dimension	Consideration of Risk Dimension	Response Action													
			Laws and regulations		Greenhouse gas inventory report Greenhouse gas control	Carbon payment, increase of operational costs Limited capacity expansion	Greenhouse gas reduction Utilization of environmental and sustainable raw materials Low-carbon production and energy use Use and efficiency boost of existing resources													
Climate disaster	Wind, flood, draught, and extreme weather caused production interruption or reduction.	Impact on capacity, declined revenue and property loss	Strengthening employee disaster prevention concept Purchasing disaster prevention equipment Purchasing property insurance																	
Other Factor	Stakeholders require the Company to establish greenhouse gas emission control.	Could not meet the requirement of stakeholders and affecting the positive image of the Company on stakeholders.	Promote green-energy driven production																	
(4) Has the Company compiled the greenhouse gas emission, water consumption and total waste weight in the last 2 years, in addition to formulating policies on energy-saving, carbon reduction, greenhouse gas	✓		(4) 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	No material discrepancy.																

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
emission, reduction of water consumption, or other waste management?			<p>base to reduce fuel consumption and exhaust generated from commutes.</p> <p>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.</p> <p>4. Each production base strove for landscaping in addition to implementing energy conservation and carbon reduction in operation.</p> <p>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.</p>	
4. Social Issues				
(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 material discrepancy.
(2) Does the Company develop and	✓		(2) 1. To protect employees' rights and interests and smooth	No material

Evaluation Item	Implementation Status			Discrepancy from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Abstract	
implement reasonable employee welfare measures (including salary, leave, and other benefits) in addition to reflecting the managerial performance or outcome appropriately on employee salary?			<p>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, complaint in person, or sending an e-mail.</p> <p>2.The Company has provided employees with multiple welfare policies. Apart from the regulatory labor insurance, health insurance, pension funds appropriated and parental leave, the Company also distributes gift vouchers for three major holidays, employee group insurance as well as other welfare measures that contribute to labor-management harmony.</p>	discrepancy.
(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	No material discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>installation of speed bumps, ventilation systems, silencers, and mechanical safety devices.</p> <p>1.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 at least 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.</p> <p>2.Safety and health management systems and measures: A.Occupational health promotion education and training system</p>	

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>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.</p> <p>B.Maintenance and inspection system for occupational disease and hazard protective facilities</p> <p>(i)The occupational health management department shall examine the occupational disease and hazard protective facilities once a month; departments of use shall examine the protective facilities every week; workers on duty shall record the operation of the facilities every day.</p> <p>(ii)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</p>	

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>facilities, and keep related records.</p> <p>(iii)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.</p> <p>(iv)After the occupational disease and hazard protective facilities are maintained/repared, 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.</p> <p>(v)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 daily.</p>	
(4)Does the Company provide its employees with career development and training sessions?	✓		(4)The Company currently offers in-service training to employees and gradually builds career planning	No material discrepancy.
(5)Does the Company establish any	✓		(5)The Company provides major customers reports on product	No material

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Abstract	
consumer protection policies and appealing procedures for the health and safety of customers, in accordance with the laws and international standards governing products, services, customer privacy, marketing, and labeling?			<p>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.</p> <p>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</p>	discrepancy.

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
(6) Does the Company establish supplier management policy to request suppliers for the relevant regulations in environmental production, occupational safety and health or human rights for labor, as well as the implementation status?	✓		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. (6) The Company follows up material supply on a regular basis and conduct annual supplier evaluation and hold environmental protection and occupational safety and health training from time to time. In case the supplier violates the corporate social responsibility and environment but fails to make improvement upon notification, the Company reserves the right to terminate or cancel the contract at any time.	No material discrepancy.
5. Does the Company refer to the standards or guidelines for preparing international standard reports for the preparation of Corporate Social Responsibility Report and other reports disclosing non-financial information of the		✓	The Company performs conditions of corporate social responsibility in accordance with the competent authority and relevant laws and regulations. The Company also sets up the "Corporate Social Responsibility" webpage on the company website to disclose information on the actual implementations on the company website and Market Observation Post System (MOPS).	The Company has not prepared Corporate Social Responsibility Report and will

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
Company? Has the aforementioned report acquired validation or opinion of guarantee from third certification body?				prepare in the future, depending on the company development requirement and regulations.
6.	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.			
7.	<p>Other important information helpful in understanding CSR operation:</p> <p>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 2019, the Group donated NT\$3,256,000 to the following:</p> <ol style="list-style-type: none"> (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 lose their family (live independently), are disabled (immobility and could not take care of themselves), and are diagnosed (or suspected) of dementia. These elderly do not have enough resource for care and whose living support are greatly affected. Meals are distributed to disadvantaged elderly. 			

Evaluation Item	Implementation Status			Discrepancy from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description of Abstract	
			<p>(3) Breakfasts, meals during summer and winter vacations, and nutrition offered to the disadvantaged children in remote and general areas in Yunlin County.</p> <p>(4) Subsidies offered to children under 18 years old, whose family income is insufficient to maintain the basic needs of children.</p> <p>(5) World Peace Society, Community of Societies-"Dajia Matsu Pilgrimage" volunteer stall, the celebration of love donation towel in the environment clean</p> <p>(6) HUASHAN SOCIAL WELFARE FOUNDATION-"Love Elderly Movement" public welfare.</p> <p>(7) BaozhongShan and the elderly long-term care center-"accompanying the elderly in listening to demand".</p> <p>(8) Taiwan Fund for Children and Families, Dongshih Sunshine Baseball Association summer baseball camp</p> <p>(9) EPD-Marine Net beach recognition, spontaneous clean mountain activities, etc.</p> <p>(10) The "2019 Genesis Social Welfare Foundation-Love Fire Prevention public Park Fair, organized by the Genesis Social Welfare Foundation in Yunlin in 2019</p> <p>(11) Fujian Sunshine Footwear Co., Ltd. sponsored scholarship for Yang-En University and Liming Vocational University to help the schools improve schooling conditions and inspire faculty and students with enthusiasm for work and study.</p> <p>(12) 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.</p>	

(6)Discrepancy and Reason of Discrepancy for Implementing Ethical Corporate Management and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation Item	Implementation Status			Discrepancy and Reason of Discrepancy for Implementing the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	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?	✓		(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.	No material discrepancy.
(2) Has the Company established an evaluation mechanism for risks associated with unethical conducts and regularly analyzes and evaluates business activities subject to higher risk of unethical conducts within the scope of business? Has the Company developed measures for preventing unethical conducts, which at least covers the preventive measures under the items prescribed in	✓		(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.	No material discrepancy.

Evaluation Item	Implementation Status		Description of Abstract	Discrepancy and Reason of Discrepancy for Implementing the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
<p>“Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?”</p> <p>(3)Has the Company stipulates operation procedures, conduct guide, disciplinary and grievance system for violation for preventing unethical conducts, in addition to implementing execution and regularly review and revise the aforementioned solution?</p>	✓		(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 material discrepancy.
<p>2.Implementing ethical corporate management</p> <p>(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?</p> <p>(2)Has the Company established a full-time (part-time) unit directly under the supervision of the Board,</p>	✓		<p>(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.</p> <p>(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</p>	<p>No material discrepancy.</p> <p>No material discrepancy.</p>

Evaluation Item	Implementation Status		Description of Abstract	Discrepancy and Reason of Discrepancy for Implementing the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
which is devoted to promoting corporate ethical business, and routinely (at least once a year) reporting the ethical management policies and solutions for preventing unethical conducts as well as the implementation to the Board?			compliance and to report to the Board of Directors.	
(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 material discrepancy.
(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 material discrepancy.
(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 so that employees fully comprehend the idea and	No material discrepancy.

Evaluation Item	Implementation Status		Description of Abstract	Discrepancy and Reason of Discrepancy for Implementing the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
			regulations.	
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 material discrepancy.
(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 material discrepancy.
(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 material discrepancy.

Evaluation Item	Implementation Status		Description of Abstract	Discrepancy and Reason of Discrepancy for Implementing the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
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 designated to publish company information on the MOPS and company website on a regular basis to provide investors correct and complete information.	No material discrepancy.
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 discrepancy 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.				
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.				

(7)The method of query in case the Company formulate corporate governance principles and related regulations is describe below:

Upholding the philosophy 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 Market Observation Post System (MOPS) for access by relevant personnel.

(8)Other Important Information for Better Understanding of Implementation of Corporate Governance

I. Corporate Governance Best Practice Principles

- (i)Immediate disclosure of important information.
- (ii)Good communication between the Board of Directors and the management
- (iii)A certain percentage of independent directors.
- (iv)Establishment of the Audit Committee, which ensures the independence and fairness of the CPAs.
- (v)Establishment of Salary and Remuneration Committee, which strengthens corporate governance and consolidates Remunerations paid to directors and managerial officers.
- (vi)Voting of proposals one by one in Board’s meetings for fully implementing the exercise of shareholders' rights.
- (vii)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	No. 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	5
Basic Proficiency Test for Corporate Internal Control	Securities and Futures Market Development Foundation	2

- IV. The following is the training situation of managerial officers in 2019 to the printing date of the annual report:

Title	Name	Training Date	Organizer	Course	Training Hours
Group President	Liao, Fang-Chu	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3
		2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3
Executive Vice President	Liao, Chih-Cheng	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3
		2019/6/13-14	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
		2019/7/22	Institute of Internal Auditors	Domestic and International Anti-Money Laundering and Countering Financing of Terrorism Related Laws, Risk Trends, Pattern, and Case Analysis	6
		2019/10/28	Securities and Futures Market Development Foundation	Corporate Establishment Audit Law Compliance Practice for “Independent Director” and “Audit Committee” Required by Competent Authority	6

Title	Name	Training Date	Organizer	Course	Training Hours
		2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3
		2019/12/27	Institute of Internal Auditors	Analysis of Strengthening Triple Defense Function and Board of Directors Operation Mechanism (including reporting mechanism)	6
		2020/3/25	Institute of Internal Auditors	Practice and Management of Fraudulence Risk Auditing	6
		2020/4/16	Institute of Internal Auditors	Labor Incident Act Practice Drills	6
Group CFO	Fan, Chen-Hsiang	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3
		2019/6/13-14	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
		2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3
Group audit associate manager	Chou, Yu Fan	2019/6/12	Taiwan Corporate Governance Association	Global Management and Marketing Strategies for Taiwan	3
		2019/7/22	Institute of Internal Auditors	Domestic and International Anti-Money Laundering and Countering Financing of Terrorism Related Laws, Risk Trends, Pattern, and Case Analysis	6
		2019/12/26	Securities and Futures Market Development Foundation	Macroscopic Viewpoints of Sustainable Development for Global Corporations – From 2050 Vision to 2020 Action.	3
		2019/12/27	Institute of Internal Auditors	Analysis of Strengthening Triple Defense Function and Board of Directors Operation Mechanism (including reporting mechanism)	6

(9)Implementation of Internal Control System

I. Statement of Internal Control

Fulgent Sun International (Holding) Co., Ltd.

Statement of Internal Control System

Date: March 9, 2020

This Statement of Internal Control System is issued based on the self-assessment of the Company for 2019:

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 items of determination for internal control system.
5. Based on the above assessment results, the Company determined that the Company's internal control system on December 31,2019 (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. 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.
7. This Statement has been approved by the Board of Directors on March 9, 2020. Among eight 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: N/A.

(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 2019, 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 12, 2019 and their implementation:

(i) Adoption of 2018 consolidated financial statements and business report.

Implementation: Approved in the shareholders' meeting.

(ii) Adoption of distribution of 2018 earnings by cash dividends NT\$3.68 per share.

Implementation: Cash dividends will be distributed to shareholders at NT\$3.68 per share, totaling NT\$588,177,797. Moreover, NT\$10,000,000 for employees and directors' remuneration shall be made.

(iii) To amend some provisions of "Procedures for Processing the Acquisition or Disposition of Assets"

Implementation: Approved in the shareholders' meeting.

(iv) To amend some provisions of the "Articles of Incorporation".

Implementation: Approved in the shareholders' meeting.

(v) To amend some provisions of "Endorsement and Guarantee Procedures" and "Procedures for Loans to Others" of the Company.

Implementation: Approved in the shareholders' meeting.

II. Important resolutions approved in the Board meeting on June 12, 2019 are described below:

(i) Election for Chairperson of Fifth Year Board of Directors Meeting.

(ii) Election for convener of Audit Committee.

(iii) Appointment of Salary and Remuneration Committee.

(iv) Authorization to "Chairman – Lin, Wen-Chih" for full authorization in handling the 2018 dividend distribution of subsidiary, "Capital Concord Enterprises Limited."

(v) Set up the ex-dividend date for cash dividend.

III. Important resolutions approved in the Board meeting on August 8, 2019 are described below:

(i) 2019 Q2 Consolidated Financial Statements of the Company.

(ii) Distribution of 2018 remuneration for directors.

(iii) Performance bonus for managers.

(iv) Set up the first year "Corporate Governance and Sustainable Development Committee" of the Company and establish the "Articles of Incorporation and Organization Architecture of Corporate Governance and Sustainable Development Committee."

(v) Election for members of Corporate Governance and Sustainable Development Committee.

- IV. Important resolutions approved in the Board meeting on November 8, 2019 are described below:
- (i) 2019 Q3 Consolidated Financial Statements of the Company.
- V. Important resolutions approved in the Board meeting on December 26, 2019 are described below:
- (i) Develop 2020 Audit Plan.
 - (ii) 2020 Budget Proposal of the Company.
 - (iii) Distribution of 2018 employee remuneration to managers.
 - (iv) 2019 performance bonus and year-end bonus for managers.
 - (v) Amend the “Ethical Management Principles” of the Company.
- VI. Important resolutions approved in the Board meeting on March 9, 2020 are described below:
- (i) 2020 business plan.
 - (ii) 2019 Statement of Internal Control System.
 - (iii) 2019 Consolidated Financial Statements of the Company.
 - (iv) 2019 business report of the Company.
 - (v) 2019 remuneration distribution to employees and directors of the Company.
 - (vi) Proposal for 2019 distribution of profits.
 - (vii) Certified Public Accountant Independence Evaluation for 2020.
 - (viii) Amend some provisions of the “Articles of Incorporation” of the Company.
 - (ix) Amend some provisions of “Shareholders’ Meeting Agenda Rules” of the Company.
 - (x) Revision of the written system of internal controls-financial statement preparation management operations.
 - (xi) Matters related to accepting shareholders’ proposition and nomination, venue and others.
 - (xii) Determine the convening date and agenda for 2019 Shareholders’ Meeting of the Company.
- VII. Important resolutions approved in the Board meeting on March 20, 2020 are described below:
- (i) Implementation of shares buyback for the third time (treasury stocks).
- VIII. Important resolutions approved in the Board meeting on April 30, 2020 are described below:
- (i) 2020 Q1 Consolidated Financial Statements of the Company.
 - (ii) To amend the “Regulations Governing Shares Buyback and Transfer to Employees” of the Company.
 - (iii) To amend some provisions of “Ethical Management Practice” of the Company.
 - (iv) To amend some provisions of “Corporate Social Responsibility Best Practice” of the Company.
 - (v) To amend some provisions of “Board of Director Meeting Agenda Standards” and “Board of Director Meeting Operation Management Process” of the Company.
 - (vi) To amend some provisions of “Articles of Incorporation for Audit Committee” of the Company.
 - (vii) To amend some provisions of the “Corporate Governance Best Practice” of the Company.

- (viii) To amend some provisions of “Articles of Incorporation for Salary and Remuneration Committee Organization” and “Salary and Remuneration Committee Operation Management Process.”
- (ix) To amend some provisions of the “Board of Directors Performance Evaluation Regulations” of the Company.
- (x) The Company intends to apply for 2020 new shares issuance for cash funding and fundraising for issuance of the fifth unsecured convertible bonds in the domestic market.

(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: None.

(13) Resignation or dismissal of the Company's chairman, president, heads of accounting, finance, internal audit head, corporate governance head, and R&D in the most recent year and as of the printing date of this annual report: None.

5.Information on Certified Public Accountants' Fees

(1)Information on Brackets for Certified Public Accountants' Fees

Name of Accounting Firm	Name of CPA		Auditing Period	Remarks
PwC Taiwan	Hung, Shu-Hua	Wang, Yu-Chuan	2019.1.1~2019.12.31	None

Unit: NT\$1,000

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

(2)CPAs' fees shall be disclosed if one of the following takes place:

- I. The non-audit fee paid to the CPAs, the accounting firm of the CPAs and its affiliated company's accounts for one fourth of the audit fee or more: None.
- II. 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.
- III. When the audit fee decreases by 10% or greater than that in the previous fiscal year, the Company shall disclose the decreased amount, ratio, and reason: Mainly because of the improvement on the Company's account quality, lowered working costs for CPA, and thereby reduced audit fees.

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:None.

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, 2020; Unit: Shares

Title	Name	2019		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 (Note 1)	1,095,544	-	40,000	2,342,000
Director and Group President	Liao, Fang- Chu (Note 1)	1,392,969	-	-	-
Director and Executive Vice President	Liao, Chih-Cheng	46,710	-	-	-
Independent Director	Chang, Kun-Hsien	-	-	-	-
Independent Director	Hsu, Ai-Chi	-	-	-	-
Independent Director	Huang, Jing-Huang (Note 2)	-	-	-	-
Independent Director	Li, Chun-An (Note 2)	-	-	-	-
Independent Director	Wu, Jun-Ming (Note 2)	-	-	-	-
Director	Yu, Man- Sang (Note 3, 4)	136,146	-	-	-
Independent Director	Kuo, Shaw-Long (Note 5)	-	-	-	-
Group CFO	Fan, Chen-Hsiang	47,998	-	2,000	-
Group audit associate manager	Chou, Yu Fan	12,464 (5,000)	-	-	-
Vice President of Procurement	Lin, Feng-Yun (Note 6)	-	-	-	-
Vice President of Sales	Chen, Ming-Hsien	40,000 (5,000)	-	-	-
Vice President of Production, China	Huang, Xu-Ming (Note 7)	41,538	-	-	-
Executive Vice President of Cambodia	Lin, Wen -Kuang	105,414	-	-	-
Vice President of production, Cambodia	Chen, Shih-Chin (Note 8)	-	-	-	-

Note1:Directly or indirectly held by individuals and foreign financial holding company.

Note2:Huang, Jing-Huang, Li, Chun-An and Wu, Jun-Ming were elected the new independent directors of the Company at the Shareholders' Meeting held on June 12, 2019.

Note3:Shares are held directly through the custodial account of Yu Man Sang used by CTBC Bank.

Note4:Director Yu, Man-Sang resigned from the office after the reelection of directors held on June 12, 2019.

Note5:Independent Director Kuo, Shaw-Long resigned after the reelection of directors held on June 12, 2019.

Note6:Vice President of Procurement Lin, Feng-Yun has applied for retirement on April 1, 2019.

Note7:Shares are held indirectly through the custodial account of Huang, Xu-Ming used by CTBC.

Note8:Vice President of production, Cambodia Chen, Shih-Chin 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, 2020; 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	
The custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank (Note 1) Representative: Lin, Wen-Chih	22,379,009	12.78	21,718,018 (Note 2)	12.40	-	-	Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank	Spouse	-
							Lin, Wen-Chih	Same as representative	-
							Lin, Xue-Qing	within Second Degree of Kinship	-
Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank (Note 1) Representative: Liao, Fang-Chu	20,070,372	11.46	25,566,661 (Note 3)	14.60	-	-	The custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank	Spouse	-
							Lin, Wen-Chih	Spouse	-
							Lin, Xue-Qing	within Second Degree of Kinship	-
Fubon Life Insurance Co., Ltd.	10,475,000	5.98	-	-	-	-	-	-	-
Custodial Account (Morgan Stanley & Co. International Limited) Used by HSBC	5,638,868	3.22	-	-	-	-	-	-	-
Custodial account held through Yu, Man-Sang used by CTBC Bank (Note 4)	4,025,617	2.30	-	-	-	-	-	-	-
Huang, Wei-Jie	3,901,897	2.23	-	-	-	-	-	-	-
Lin, Xue-Qing	3,312,523	1.89	-	-	-	-	The custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank	within Second Degree of Kinship	-
							Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank	within Second Degree of Kinship	-
							Lin, Wen-Chih	within Second Degree of Kinship	-
Lin, Wen-Chih	3,187,652	1.82	21,718,018 (Note 2)	12.04	22,379,009	12.78	Custodial account (MEINDL INT'L CO., LTD.) used by CTBC	Spouse	-

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	
								The custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank		Same as representative	-
							Lin, Xue-Qing	within Second Degree of Kinship	-
Tsai Chi Lung	3,050,000	1.74	-	-	-	-	-	-	-
Custodial account (Yong Yang International) used by CTBC Bank.	2,911,423	1.66	-	-	-	-	-	-	-

Note 1: Shares are held indirectly through Lin, Wen-Chih and Liao, Fang- Chu.

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

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

Note 4: Shares are directly held through 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, 2020; Unit: Thousand Shares ; %

Reinvested 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	100%	-	100%	1,385,900	100%
Fujian Sunshine Footwear Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Hubei Sunsmile Footwear Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Sunny Footwear Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Fulgent Sun Footwear Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Fujian Laya Outdoor Products Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Laya Outdoor Products Limited.	-	-	10,618	100%	10,618	100%
Laya Max Trading Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Fujian La Sportiva Co., Ltd. (Note 2)	-	-	-	60%	-	60%
Lin Wen Chih Sunbow Enterprises Co., Ltd. (Note 2)	-	-	-	100%	-	100%
Lin Wen Chih Sunstone Garment Enterprises (Note 2)	-	-	-	91.27%	-	91.27%
Lin Wen Chih Sunlit Enterprises Co., Ltd. (Note 2)	-	-	-	100%	-	100%
NGOC HUNG Footwear Co., Ltd. (Note 2)	-	-	-	100%	-	100%

Note1: Investment for companies adopting Equity Method.

Note2: Company limited forms do not issue shares and hence there is no share.

IV.Fundraising

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		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Share Capital	Capital Increased by Assets Other than Cash	Others
2009.11	10	150	1,500	150	1,500	150,000 shares of incorporation	-	-
2009.12	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	-
2011.3	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.	-
2011.8	62	120,000	1,200,000	86,516	865,159	Issuance of 7,865,000 shares for capital increase by cash	-	-
2011.8	10	120,000	1,200,000	95,168	951,675	Issuance of 8,652,000 shares for capital increase by retained earning	-	-
2012.7	10	120,000	1,200,000	104,684	1,046,843	Issuance of 9,516,000 shares for capital increase by retained earning	-	-
2012.10	10	200,000	2,000,000	104,684	1,046,843	Increase in authorized capital	-	-
2012.10	25	200,000	2,000,000	118,642	1,186,423	Issuance of 13,958,000 shares for capital increase by cash	-	Note 1
2014.3	0	200,000	2,000,000	119,842	1,198,423	Issuance of 1,200,000 restricted employee shares	-	Note 2
2014.9	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
2014.12	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
2015.3	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
2015.6	10	200,000	2,000,000	132,542	1,325,420	Conversion of domestic corporate bonds into 1,667,000 ordinary shares	-	Note 6
2015.9	10	200,000	2,000,000	132,957	1,329,574	Cancellation of 31,000 restricted employee shares; conversion of domestic corporate bonds into 446,000 ordinary shares	-	Note 7
2015.12	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	-	Note 8

Date	Issue Price (NT\$)	Approved Share Capital		Paid-Up Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Share Capital	Capital Increased by Assets Other than Cash	Others
						258,000 ordinary shares		
2016.3	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
2016.6	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
2016.8	43	200,000	2,000,000	137,365	1,373,654	Issuance of 4,000,000 shares for capital increase by cash	-	Note 11
2016.9	10	200,000	2,000,000	137,471	1,374,718	Conversion of domestic corporate bonds into 106,000 ordinary shares	-	Note 12
2016.12	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
2017.3	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
2017.6	10	200,000	2,000,000	143,492	1,434,929	Conversion of domestic corporate bonds into 5,038,000 ordinary shares	-	Note 15
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
2017.12	10	200,000	2,000,000	146,197	1,461,973	Conversion of domestic corporate bonds into 89,000 ordinary shares	-	Note 17
2018.3	10	200,000	2,000,000	146,255	1,462,550	Conversion of domestic corporate bonds into 58,000 ordinary shares	-	Note 18
2018.6	10	200,000	2,000,000	146,274	1,462,735	Conversion of domestic corporate bonds into 19,000 ordinary shares	-	Note 19
2019.1	10	200,000	2,000,000	152,274	1,522,735	Issuance of 6,000,000 shares for capital increase by cash	-	Note 20
2019.3	10	200,000	2,000,000	158,992	1,589,915	Conversion of domestic corporate bonds into 6,718,000 ordinary shares	-	Note 21
2019.6	10	200,000	2,000,000	162,225	1,622,246	Conversion of domestic corporate bonds into 3,233,000 ordinary shares	-	Note 22
2019.9	10	200,000	2,000,000	171,339	1,713,395	Conversion of domestic corporate bonds into 9,115,000 ordinary shares	-	Note 23
2019.12	10	200,000	2,000,000	174,757	1,747,566	Conversion of domestic corporate bonds into 3,417,000 ordinary shares	-	Note 24
2020.3	10	200,000	2,000,000	175,111	1,751,113	Conversion of domestic corporate bonds into 354,000 ordinary shares	-	Note 25

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.

Note3: 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.

Note4: 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 April 8, 2019.
- Note 22: Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on July 2, 2019.
- Note 23: Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on October 8, 2019.
- Note 24: Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on January 7, 2020.
- Note 25: Conversion of domestic corporate bonds into ordinary shares: approved by Taiwan Stock Exchange Corporation on April 8, 2020.

II. Type of shares

As of April 14, 2020; Unit: Thousand Shares

Type of Shares	Approved Share Capital				Remark
	Outstanding Shares	Treasury Shares	Unissued Shares	Total	
Ordinary Shares	175,069	48	24,883	200,000	-

(2) Shareholder Structure

As of April 14, 2020

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Corporations	Foreign Institutions and Natural Persons	Individuals	Treasury Shares	Mainland Chinese Investment	Total
Number of Persons	-	13	67	106	5,028	1	2	5,217
Number of Shares Held (share)	-	13,633,000	13,002,297	73,231,410	75,073,172	48,000	129,288	175,117,167
Shareholding Ratio (%)	-	7.79	7.42	41.82	42.87	0.03	0.07	100.00

(3) Dispersion of Equity Ownership

As of April 14, 2020; Unit: Shares; %; Denomination of NT\$10 per share

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio
From 1 to 999	648	91,919	0.05
From 1,000 to 5,000	3,452	6,477,830	3.70
From 5,001 to 10,000	443	3,493,351	1.99
From 10,001 to 15,000	143	1,837,887	1.05
From 15,001 to 20,000	112	2,043,839	1.17
From 20,001 to 30,000	98	2,493,144	1.42
From 30,001 to 40,000	64	2,278,972	1.30
From 40,001 to 50,000	36	1,645,411	0.94
From 50,001 to 100,000	76	5,327,062	3.04
From 100,001 to 200,000	58	9,010,537	5.15
From 200,001 to 400,000	28	7,711,744	4.40
From 400,001 to 600,000	16	7,853,789	4.49
From 600,001 to 800,000	4	2,768,412	1.58
From 800,001 to 1,000,000	7	6,330,541	3.62
Greater than 1,000,000	32	115,752,729	66.11
Total	5,217	175,117,167	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, 2020; Unit: Shares; %

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
The custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank (Note 1)	22,379,009	12.78
Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank (Note 1)	20,070,372	11.46
Fubon Life Insurance Co., Ltd.	10,475,000	5.98
Custodial Account (Morgan Stanley & Co. International Limited) Used by HSBC	5,638,868	3.22
Custodial account held through Yu, Man- Sang used by CTBC Bank (Note 2)	4,025,617	2.30
Huang, Wei-Jie	3,901,897	2.23
Lin, Xue-Qing	3,312,523	1.89
Lin, Wen-Chih	3,187,652	1.82
Tsai Chi Lung	3,050,000	1.74
Custodial account (Yong Yang International) used by CTBC Bank.	2,911,423	1.66
Total	78,952,361	45.08

Note 1: Indirectly held by Lin, Wen-Chih and Liao, Fang- Chu.

Note 2: Directly held 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	2018	2019	As of March 31, 2020
Market Price per Share	Highest		74.20	139.5	154.5
	Lowest		43.80	46.15	63.5
	Average		57.25	84.30	113.75
Net Value per Share	Before Distribution		43.92	47.09	48.76
	After Distribution		39.94	(Note)	-
EPS	Weighted Average Shares (thousand shares)		145,787	163,819	175,005
	EPS	Before Adjustment	5.1	7.81	2.02
		After Adjustment	5.1	7.81	2.02
Dividends per Share	Cash Dividend		3.68	5.50(Note)	-
	Stock Dividends	-	-	-	-
		-	-	-	-
Accumulated Undistributed Dividends			-	-	-
ROI	Price/Earnings Ratio		11.23	10.79	-
	Price/Dividend Ratio		15.56	15.33	-
	Cash Dividend Yield		6.43%	6.52%	-

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 20% of the remainder after deducting the preceding two items; in particular, cash dividends shall not be less than 20% 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 2019 was approved by the Board of Directors on March 9, 2020. The distribution of cash dividends totaling NT\$963,058,657 (NT\$5.50 per share) to shareholders is yet to be resolved at the shareholders' Meeting in 2020.

(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) I. 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:

(i) 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.

(ii) 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

(i) Remuneration distributed to employees, directors, and supervisors in the form of cash or stock:

On March 9, 2020, the Board of Directors proposed distributing NT\$10,000,000 to employees and directors in 2019, respectively, which was the same as the estimate in the financial statements for 2019.

(ii) 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 12, 2019, the shareholder's meeting resolved to distribute NT\$10,000 thousand to employees and directors in 2018, 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 2018.

(9) Repurchase of Company's Shares:

Shares repurchased by the Company in 2020 are as follows (repurchase completed):

April 22, 2020

Item	The 3rd Repurchase of Treasury Shares
Purpose of repurchase	Transfer shares to employees
Period of shares repurchased	March 30, 2020 ~ April 22, 2020
Range of price	NT\$55~NT\$150
Average price per buyback share	NT\$87.25
Type and quality of shares already bought back	Common Stock 660,000 shares
Total amount of shares purchased	NT\$ 57,583 thousand
Quantity Purchased to Scheduled Buyback Quantity (%)	66%
The number of shares voided/transferred	-Share
Accumulated number of company shares held	660,000 Shares
Ratio of total accumulated company shares held to total shares issued (%)	0.38%

2.Issuance of Corporate Bonds

(1)Outstanding or Pending Corporate Bonds

Type of Corporate Bond	4th Tranche of Unsecured Convertible Corporate Bonds in ROC	
Date of issuance (placement)	October 2, 2018	
Par value	NT\$100,000 per denomination	
Place of issuance and transaction	Taipei Exchange	
Issuing price	NT\$100,600	
Sum	NT\$1,006,000,000	
Interest	Coupon rate: 0%	
Term	3 years, mature on October 2, 2021	
Guarantor	N/A	
Trustee	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	
Underwriter	IBF Securities	
Certified Attorney	Attorney Chen, Yo-Liang, Jheding International Law Offices	
Certified Public Accountant	PwC Taiwan CPAs Hung, Shu-Hua and Wang, Yu-Chuan	
Repayment Method	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 Capital	NT\$ 52,600,000 (as of April 30, 2020)	
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.	
Limiting provisions	None	
Name of credit rating agency, rating date and corporate bond ratings	N/A	
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 April 30, 2020, 18,178,995 shares have been converted into ordinary shares, totaling NT\$181,789,950.

Type of Corporate Bond	4th Tranche of Unsecured Convertible Corporate Bonds in ROC	
Issuance and conversion (swap or subscription) methods	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.	Currently, 175,117,000 shares have been issued at the conversion price of NT\$51.3 per share. The number of 526 copies were unconverted as of April 14, 2020. If the balance of the convertible corporate bonds outstanding is converted into ordinary shares in full, 1,025,000 shares will increase with a dilution ratio of 0.59%, showing a limited effect on current shareholders' equity.	
Name of the commissioned custodian of exchangeable underlying	None	

(2) Information on Convertible Bonds

Unit: NT\$

Type of Corporate Bond		4th Tranche of Unsecured Convertible Corporate Bonds in ROC	
Year		2019	As of April 30, 2020
Market price of the convertible corporate bond	Highest	269.00	293
	Lowest	105.70	189
	Average	144.51	267.11
Conversion price		2019.1.1~1.10 : 54.5 2019.1.11~7.15 : 54.1(Note 1) 2019.7.16~12.31 : 51.3(Note 2)	2020.1.1~4.30 : 51.3
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: None.

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

(1)Scope of Business

I. Main content of the business

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

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

Unit: NT\$1,000 ; %

Main product Sport Shoes	2018		2019	
	Amount	%	Amount	%
Shoes	9,900,654	98.32	12,723,406	99.07
Others (Note)	169,497	1.68	119,119	0.93
Total	10,070,151	100.00	12,842,525	100.00

Note:Other refers to the agent sale of shoe materials, garment, and sports /leisure outdoor supplies (For unpaired semi-finished products, quantity is not listed and only amount listed).

III. Current product (service) items

The company produces products 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 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.

(2)Industry Status

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.

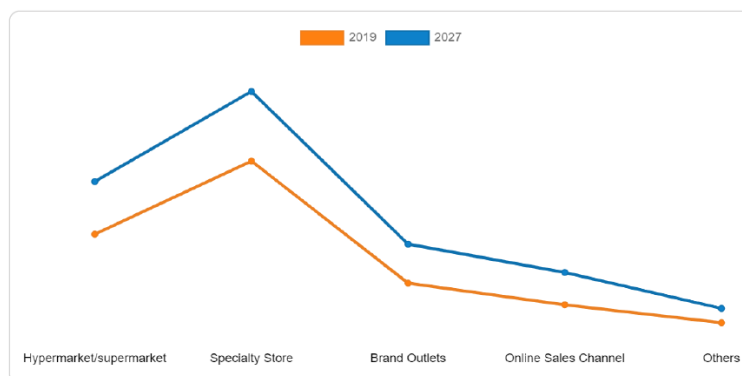
On contrary, taking advantage of international trends and branding capacity, European and American shoe manufacturers, on the contrary, focus on product design and development and commission Chinese manufacturers to produce shoes as OEMs and sell the shoes through their marketing network. European and 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

(i) Overview of global shoe market

Shoes are one of the necessities in livelihood, which consumption quantity and amount show upward growing trend as population grows as well as fluctuates with the global fashion trends and macroeconomic environment. According to Statista, the total consumption for global shoe market in 2018 reached US\$416 billion and it is estimated that the global shoe market will present 10% growth rate between 2018 and 2023. Particularly among the various shoe categories, sportswear is becoming the category with most potential growth. It is estimated that the total consumption will reach US\$89 billion by 2023, with a growth rate of 46%. It is mainly because of the popular trend in sports and health concepts, which drives sports related shoe products to grow in consumers of all ages.

Additionally according to the global shoe report released by Transparency Market Research, the primary shoe consumer market is divided into five regions, including North America, Latin America, Middle East and Africa, Asia Pacific, and Europe. Asia Pacific becomes the main consumer market, due to the consumption capacity boosted by urbanization and the influence from fashion trends in Europe and America. Moreover, advantage of vast population in China and India contribute to the accessing portal for brand shoe industries. With regards to marketing channel, apart from the existing physical store channel, the rise of e-commerce also changes the consumer habits for shopping. It is estimated that the online sales compound annual growth rate for shoes will reach 8.3% between 2019 and 2027.



Source: Allied Market Research<Foot Wear Market by Type: Global Opportunity Analysis and Industry Forecast, 2020-2017>

(ii)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 CNY411.3 billion in 2018. By 2021, the scale is expected to reach CNY522.3 billion. (Refer to the table below)

Sales Volume of Footwear from 2014 to 2018 (Unit: CNY1 million)

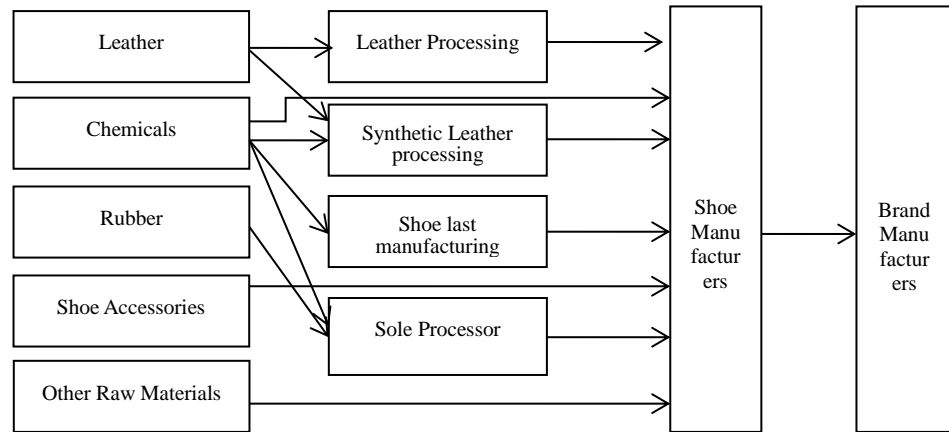
	2014	2015	2016	2017	2018
Kids' Shoes	39,980.3	43,978.4	48,244.3	53,165.2	58,356.3
Men's Shoes	124,483.8	131,081.5	136,586.9	144,195.0	156,062.3
Women's Shoes	177,182.8	178,954.6	177,165.1	184,503.6	196,877.2
Total	341,647.0	354,014.5	361,996.2	381,863.7	411,295.8

(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 shoe 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 shoe 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 supplier of professional 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

(i) 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.

(ii) 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.

(iii) 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°C, 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.

(iv) 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 brand 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:

- (i) The Company has extended production lines of renowned sports shoes and functional outdoor shoes.
- (ii) 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.
- (iii) 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.

(3) 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: NT\$1,000

Item \ Year	2018	2019	2020 Q1
R&D Expenses	124,079	144,821	40,565
Consolidated net revenue	10,070,151	12,842,525	2,772,864
Ratio of R&D expenses to consolidated net revenue (%)	1.23	1.13	1.46

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	Sole compressor	Saving fixture compressor by providing stable and even compression to concurrently apply to the sole and assembly process.
	Frozen Trimmer	Trim the rubber under -80°C to substantially improve productivity and reduce process.
	Automatic Cutter (including punching)	Complete soft sole cutting and punching in one step, consolidating the process and improving productivity.
	3D Light Processing Automation Equipment	Compared with traditional chemical agent, plasma roughing offers more ecofriendly method to accomplish the same adhesion and save manpower.
	Sewing Machine Lines	Introducing conveyor type line to change the production layout, improving the overall per capita productivity.
	EVA Matte Grinder	Automatic grinder EVA and cleaning, boosting productivity while reducing manpower.
Product Craft	Invisible Fit Gore-Tex V2.5 structure	This cold sticky shoe IF structure provides more comfortable experience for the feet, where reduced process and operations lower the risk of potential water leak.
	Invisible Fit Gore-Tex V4.5 Structure	The experience of cold sticky shoe is expanded by applying to 至 vulcanized shoes, where the reduction of process and operations lower the risk of potential water leak.
	GORE Infinium technology	The vamp structure for non-professional shoes such as casual wear, sneakers and other partial function.
	HPDRY	The new waterproof structure perfectly adheres socks to the back of vamp using platform steamer and inner support, so the socks will fully protect the surface, the water will not leak easily and shoe function boosted.
	Climbing shoes	The special vamp material and RB heel design offers higher protection for shoes and enhances sports coefficient.
Sole craft	Three-Dimensional Heel Injection Rubber	Comprehensive protection for heels to enhance shoe function and stabilize quality.
	Self-made Rubber Film Craft	Replaces glue to save costs in labor.
	LN2 Low-Temp Trimming Craft	Saves labor and assures quality.
	Eco-friendly trim material recycling craft	Recycling platform trim to reduce solid waste.
Material	TPU Rubber mesh cloth	A program that saves mesh cloth and makes hot-melting craft.
	TPU Yarn-dyed fabric	The translucence adds transparency to the material. Highly curved and enduring. Diversified.
	Base (Previously TPU+ rubber)	Added with rubber material to enhance anti-slippery effect.
	Shoe Lace Rubber Head	Special appearance.
	Color-Changing Canvas	Used on the surface of shoes and color changes under UV light.
	PFC FREE(Fluorine-free) Anti-Wicking Material	Improving the damage brought by anti-wicking agent on human body to protect the nature and human.

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

I. Short-term business development plans

(i) Continuous Expanding the Group's capacity and increase of capacity weight outside China

As outdoor sports activities grow popular worldwide and industry trends remain growing, the Company will continue to expand its capacity in Vietnam and Cambodia in 2020. New production bases in Vietnam and Cambodia will become the center of new production lines as both factories have been GORE-TEX certified with success, which creates more flexible room for the new orders and marketing in coming new year, thereby upgrading and improving quality and quantity. In 2019, revenue in China and outside China accounted for 34% and 66%, respectively. Looking to 2019, it is positively estimated that the total output in Vietnam has surpassed China in 2019 for the first time, which continuously expands the group operation and increases allocation flexibility by speeding up the investment strength in multiple dimensions. The Company plans for China, Vietnam and Cambodia to share 1/3 of the output of the Company's development objectives in the intermediate-term planning.

(ii) Strengthening core technology, optimizing product portfolios, and boosting productivity in all factories

The Company has been in the footwear industry for 25 years old and over the years has accumulated shoe-making 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, HIGG, ISO, and others. 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

(i) Continuing software/hardware equipment upgrade, developing personnel with diversity in morals and talents, and moving toward smart production

The Company launches replacement and gradual upgrade for all hardware/software. The factories are consolidating and optimizing production lines by continuously working 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.

(ii) Precisely developing existing clients and actively developing potentially good clients to win customers' full trust

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.

(iii) Committed to improve corporate governance, value investor relations, perform corporate social responsibility, and pursue sustainable and innovative growth

By fulfilling its objectives in corporate social responsibility, the Company pursues the power to improve the society and creates cycles of excellent performance through the involvement in corporate social responsibility. The Company has strived to implement corporate governance. The Company was ranked between the top 6%~20% of the 2019 corporate governance appraisal performance. 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

(1) Market Analysis

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

Unit: NT\$1,000 ; %

Year		2018		2019	
		Amount	Ratio	Amount	Ratio
Domestic Sales (Note)		755,426	7.50	729,760	5.68
Export	Asia	797,485	7.92	1,260,870	9.82
	America	3,121,661	31.00	4,620,981	35.98
	Europe	5,307,749	52.71	5,974,999	46.52
	Africa	11,234	0.11	81,884	0.64
	Australia	76,596	0.76	174,031	1.36
	Sub-Total	9,314,725	92.50	12,112,765	94.32
Total		10,070,151	100.00	12,842,525	100.00

Note: Domestic sales refer to sales in China

II. Market share

Major customers, such as The North Face, DKL, Meindl, Salewa, La Sportiva, Vans, UNDER ARMOUR, and MERRELL are the leading brands of outdoor shoes. In 2019, the total output of shoes made by the Company was approximately 19,669,000. The Company produces a wide array of shoes and as one of the few shoes manufacturers that have skills to produce a wide array of shoes, the Company maintains a certain percentage of market shares among the shoe manufacturers worldwide.

III. Supply and demand and growth of the future market

According to Statista's estimation, the annual growth rate of global footwear output is 10%, and the global output is expected to reach US\$416 billion between 2018 and 2023 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. 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

(i) 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.

(ii) 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 2019, the Company produced 19,669,000 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.

(iii) 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's strength among OEMs in the footwear industry.

(iv) 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

(i) Favorable factors of the development prospect

① Rise 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 6.1% in 2019. 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.

② Increasing 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.

(ii) Unfavorable factors of the development prospect

① Continuous 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 gradually moved production bases to places with low labor cost. For example, the Company has expanded the production line and capacity of factory in Vietnam and factory in Cambodia with lower

labor costs, and implemented lean production to improve productivity and reduced 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 produce 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:

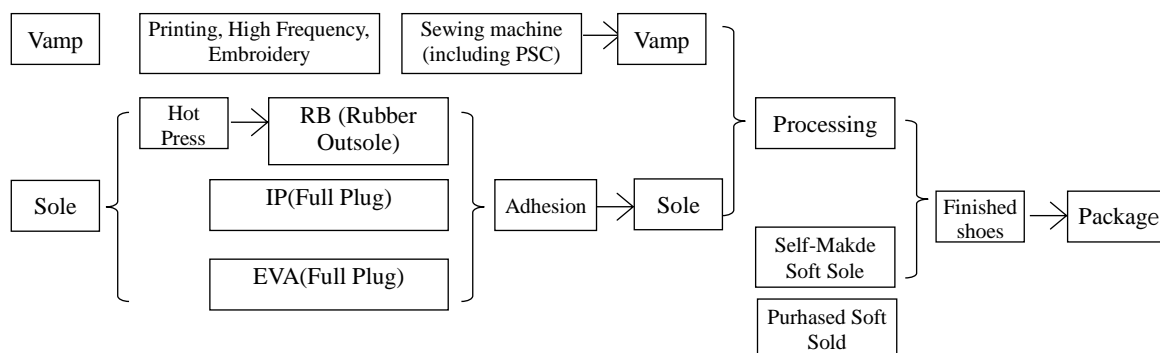
- A. The Company increases the number and type of high-end, high value-added brand shoes and develops world-renowned brands at home and abroad to maintain its market share and reduce the significant influence of a single brand on the Company's operation
- B. With improved manufacturing process and production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

(2)Major Uses and Production Process of Main products

I. Major uses of main products

Main Product	Main functions and uses
Shoes	Suitable for mountain climbing, snow walking, medical correction. Jogging, hiking, and other casual activities.

II. Production processes of main products



(3)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	23.33	Stable
Sole Materials and Semi-finished Products	Asia	30.14	Stable
Leather and Leatherette	Europe and Asia	17.51	Stable
Shoelaces, Eyelets and Accessories	Asia	17.45	Stable

Note: Data for 2019.

(4)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	2018				2019				As of 2020 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 throughout the Year (%)	Relationship with Issuer
1	D	1,640,527	16.29	None	A	2,125,398	16.55	None	A	555,105	20.02	None
2	A	1,290,287	12.81	None	B	1,683,681	13.11	None	E	364,482	13.14	None
3	C	1,104,294	10.97	None	C	1,656,552	12.90	None	-	-	-	-
4	E	1,003,473	9.96	None	D	1,472,038	11.46	None	-	-	-	-
	Others	5,031,570	49.97	-	Others	5,904,856	45.98	-	Others	1,853,277	66.84	-
	Net Sales	10,070,151	100.00	-	Net Sales	12,842,525	100.00	-	Net Sales	2,772,864	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: The products produced by the Company are widely recognized in the market. The Company also maintains excellent cooperation with Customer and is highly trusted by the customer. The revenue is increase compared with last year and Customer ranks the first in 2019 revenue. .
- (b)Customer B: The Company's products have been highly recognized in the market. The Company has maintained good cooperation with customer. Revenue in 2019 increased compared to 2018.
- (c)Customer C: in 2019, our Company's sales to customer increased, mainly due to the increase in customer market demand in 2019, resulting in an increase in the amount of market potential for Customer C.
- (d)Customer D: the relationship with customer is stable and normal, and revenue has increased slightly over the past year.
- (e)Customer E: Excellent cooperation with customer and the discretion from 2018 revenue is minor. Due to the annual growth in 2019, the sales ratio accounts for less than 10%.

(5) Production in the last two years

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

Year Main Product	2018			2019		
	Production Capacity	Production Volume	Output	Production Capacity	Production Volume	Output
Shoes	15,000	13,294	8,521,000	20,000	19,669	10,156,243
Others (Note)	-	-	126,869	-	-	89,161
Total	15,000	13,294	8,647,869	20,000	19,669	10,245,404

Note: Other refers to the agent sale of shoe materials, garment and sports /leisure outdoor supplies
(For unpaired semi-finished products, quantity is not listed and only amount listed).

(6) Production in the last two years

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

Year Main Product	2018				2019			
	Domestic Sales (Note 2)		Export		Domestic Sales (Note 2)		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Shoes	1,098	673,474	11,648	9,227,180	1,296	791,606	17,690	11,931,800
Others (Note 1)	-	81,952	-	87,545	-	64,232	-	54,887
Total	1,098	755,426	11,648	9,314,725	1,296	855,838	17,690	11,986,687

Note1: Other refers to the agent sale of shoe materials, garment and sports /leisure outdoor supplies
(For unpaired semi-finished products, quantity is not listed and only amount listed).

Note2: Domestic sales refer to the sales in mainland 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		2018	2019	As of March 31, 2020
Number of Employees	Management	606	437	455
	Production Line	19,208	20,320	21,844
	General Employees	3,869	4,078	4,264
	Total	23,683	24,835	26,563
Average Age		33.19	33.69	34.01
Average Year of Services		3.46	3.26	3.28
Education Ratio	PhD	-	1	-
	Master	20	24	23
	Bachelor or Equivalent	458	510	537
	Senior High School	6,583	8,346	9,959
	Below Senior High	16,622	15,954	16,044

4. Disbursements for Environmental Protection

For losses incurred from environmental pollution (including compensation and environmental protection audit results violating Environmental Protection should be listed with the date of discipline, discipline number, violation of provision and clauses, violation of regulation content, and content of discipline), in addition to disclose the estimated amount and response measures for current and in the future possibly. Failure make reasonable evaluation should explain the factors that could not be reasonably estimated. : None.

5.Labor Relations

(1)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

- (i)The Company develops and promotes employees in a timely manner.
- (ii)Employees have annual leaves every year.
- (iii)Employees' performance is evaluated and awarded every year.
- (iv)During employment, employees are eligible to annual health examinations.
- (v)Employees with outstanding performance in production are awarded.
- (vi)The Company pays social insurance for employees according to China's laws and regulations on a regular basis.
- (vii)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 2019 are as follows:

Title of Course	Number of Session	Number of trainee	Total Hours
H-five Training (Managerial Level)	3	144	1,152
New Employee Orientation (Plant Regulations, 5S, HSE, and 3-level Safety Education)	24	1,815	7,260
Head Office's Head New Employee Orientation (Corporate Cultures and Products)	11	2,123	2,123
Site Manager Training (new assistant)	7	175	263
General Administration Office Internal Training	10	361	722
Total	55	4,618	11,520

III. Retirement system and its implementation

For the subsidiary of the Company in China, and 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.

The subsidiaries of the Company registered as subsidiaries 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.

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.

- (2) For losses arising from labor disputes in the most recent year and as of the printing date of this annual report (including labor inspection results in violation of Labor Standard Acts, which should describe the date of discipline, discipline number, provisions violated, regulation violated, and content of discipline), disclose the estimated amount and response measures likely to occur now and in the future. If such estimation could not be reasonably made, state the facts that prevent reasonable estimation: 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	2019/7/31~2020/7/31	Line of credit NT\$100,000,000	Combined with USD
Short-term Loan Contract	CTBC Bank - Taiwan Branch	2019/7/31~2020/7/31	Line of credit NT\$550,000,000 (15million performance guarantee amount included)	None
Short-term Loan Contract	Taipei Fubon Bank – Taiwan Branch	2019/5/7~2020/5/7	Line of credit NT\$100,000,000	None
Short-term Loan Contract	First Bank - Taiwan Branch	2019/5/3~2020/5/3	Line of credit NT\$300,000,000	None
Short-term Loan Contract	KGI Bank - Taiwan Branch	2019/8/22~2020/8/22	Line of credit NT\$300,000,000	None
Short-term Loan Contract	KGI Bank - Taiwan Branch	2019/8/22~2020/8/22	Line of credit NT\$200,000,000	Real Estate Creation
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	Bank of Taiwan – Taiwan Branch	2020/4/15~2021/4/15	Line of credit NT\$150,000,000	None
Short-term Loan Contract	HSBC Bank – Taiwan Branch	2019/6/28~2020/6/28	Line of credit NT\$270,000,000	Combined with USD USD9.50 million
Short-term Loan Contract	Cathay United Bank - Taiwan Branch	2019/7/24~2020/6/30	Line of credit NT\$150,000,000	None
Short-term Loan Contract	Citi Bank - Taiwan Branch	2020/3/18~2021/3/18	Line of credit NT\$300,000,000	Combined with USD USD26.5 million
Short-term Loan Contract	Mega Bills - Taiwan Branch	2019/08/13~2020/08/13	Line of credit NT\$120,000,000	None
Bills of Exchange Contract	CTBC Bank - Capital Concord Enterprises Limited (H.K.)	2020/1/31~2020/7/31	Line of credit US\$3,000,000	None
Bills of Exchange Contract	Taipei Fubon Bank - Capital Concord Enterprises Limited (H.K.)	2019/5/7~2020/5/7	Line of credit US\$3,000,000	None
Bills of Exchange Contract	First Bank - Capital Concord Enterprises Limited (H.K.)	2019/5/17~2020/5/31	Line of credit US\$3,000,000	None
Bills of Exchange Contract	CTBC Bank - Capital Concord Enterprises Limited (H.K.)	2019/1/31~2020/7/31	Line of credit US\$3,000,000	None
Bills of Exchange Contract	Mega International Commercial Bank - Capital Concord Enterprises Limited (H.K.)	2019/7/14~2020/7/14	Line of credit US\$1,100,000	None
Bills of Exchange Contract	Cathay United Bank- Capital Concord Enterprises Limited (H.K.)	2019/7/24~2020/6/30	Line of credit US\$3,000,000	None
Short-term Loan Contract	First Bank - Capital Concord Enterprises Limited (H.K.)	2019/12/6~2020/12/6	Line of credit US\$30,000,000	None

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Provision
Short-term Loan Contract	CTBC Bank - Capital Concord Enterprises Limited (H.K.)	2019/7/31~2020/7/31	Line of credit US\$3,000,000	Combined with TWD
Short-term Loan Contract	Taipei Fubon Bank - Capital Concord Enterprises Limited (H.K.)	2019/5/7~2020/5/7	Line of credit US\$5,000,000	None
Short-term Loan Contract	Citi Bank- Capital Concord Enterprises Limited (H.K.)	2020/3/18~2021/3/18	Line of credit US\$26,500,000	Control with TWD Limit
Short-term Loan Contract	Mega International Commercial Bank - Capital Concord Enterprises Limited (H.K.)	2019/1/14~2020/5/13	Line of credit US\$1,500,000	None
Short-term Loan Contract	HSBC Bank- Capital Concord Enterprises Limited (H.K.)	2019/6/28~2020/6/28	Line of credit US\$9,500,000	None
Short-term Loan Contract	Cathay United Bank- Capital Concord Enterprises Limited (H.K.)	2019/7/24~2020/6/30	Line of credit US\$5,000,000	None
Short-term Loan Contract	KGI Bank - Capital Concord Enterprises Limited (H.K.)	2019/8/22~2020/8/22	Line of credit US\$10,000,000	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)					Financial Data As of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current Assets		3,889,530	4,326,740	4,673,674	5,603,994	6,269,517	6,106,692
Property, Plant and Equipment		4,501,982	4,279,201	4,319,269	4,930,269	5,727,356	5,829,322
Intangible Assets		30,316	25,094	18,581	16,970	16,242	15,965
Other Assets		451,275	429,317	405,757	572,435	976,052	1,069,308
Total Assets		8,873,103	9,060,352	9,417,281	11,123,668	12,989,167	13,021,287
Current Liabilities	Before Distribution	3,095,238	2,366,791	2,835,410	3,374,578	4,098,166	3,874,837
	After Distribution	3,360,893	2,823,620	3,434,964	3,962,756	(Note 2)	-
Non-current Liabilities		263,121	989,902	338,238	1,211,474	617,291	564,189
Total Liabilities	Before Distribution	3,358,359	3,356,693	3,173,648	4,586,052	4,715,457	4,439,026
	After Distribution	3,624,014	3,813,522	3,773,202	5,174,230	(Note 2)	-
Equity Attributable to Owners of Parent Company		5,476,211	5,667,696	6,199,873	6,499,340	8,229,220	8,538,411
Share Capital		1,326,983	1,380,954	1,461,973	1,528,621	1,747,566	1,751,113
Capital Surplus		2,792,288	2,990,516	3,336,445	3,377,120	4,459,672	4,474,001
Retained Earnings	Before Distribution	1,104,718	1,541,325	1,880,413	2,014,140	2,705,157	3,059,300
	After Distribution	839,063	1,084,496	1,280,859	1,425,962	(Note 2)	-
Other Equity		252,222	(245,099)	(446,134)	(420,541)	(683,175)	(743,538)
Treasury Stocks		-	-	(32,824)	-	-	(2,465)
Non-controlling Interests		38,533	35,963	43,760	38,276	44,490	43,850
Total Equity	Before Distribution	5,514,744	5,703,659	6,243,633	6,537,616	8,273,710	8,582,261
	After Distribution	5,249,089	5,246,830	5,644,079	5,949,438	(Note 2)	-

Note1: Financial information above has been audited (and reviewed) by the CPAs.

Note2: 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)					Financial Data as of March 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating Revenue	9,045,958	9,079,845	10,388,151	10,070,151	12,842,525	2,772,864
Gross Profit from Operations	1,175,459	1,633,320	2,055,143	1,813,019	2,528,606	660,408
Operating Income	205,990	697,979	1,130,850	834,388	1,456,975	356,378
Non-operating Income and Expenses	87,819	202,036	(111,027)	95,434	55,194	48,276
Income before Tax	293,809	900,015	1,019,823	929,822	1,512,169	404,654
Income from Continuing Operations	108,810	693,476	796,003	737,286	1,276,511	353,620
Net Income (Loss)	108,810	693,476	796,003	737,286	1,276,511	353,620
Other Comprehensive Income (Income after Tax)	(9,443)	(503,650)	(203,185)	26,246	(264,473)	(60,480)
Total Comprehensive Income	99,367	189,826	592,818	763,532	1,012,038	293,140
Net Income Attributable to Owners of Parent Company	115,397	702,262	803,113	743,001	1,279,195	354,143
Net Income Attributable to Non-controlling Interests Comprehensive	(6,587)	(8,786)	(7,110)	(5,715)	(2,684)	(523)
Income Attributable to Owners of Parent Company	98,760	200,455	601,347	769,016	1,016,560	293,780
Total Comprehensive Income Attributable to Non-controlling Interests	607	(10,629)	(8,529)	(5,484)	(4,522)	(640)
EPS(NT\$)	0.88	5.23	5.65	5.1	7.81	2.02

Note1: Financial information above by year has been audited (and reviewed) by the CPAs.

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

Year	CPA	Name of Accounting Firm	Audit Opinion
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
2019	Hung Shu-Hua and Wang Yu-Chuan	PwC Taiwan	Unqualified - modified wording

2.Financial Analysis for the Most Recent Five Years

Year		Financial Information for the Most Recent Five Years (Note 1)					Financial Data as of March 31, 2020
		2015	2016	2017	2018	2019	
Items of Analysis (Note 2)							
Financial Structure (%)	Debt-asset Ratio	37.85	37.05	33.70	41.23	36.30	34.09
	Ratio of Long-term Capital to Property, Plant and Equipment	122.50	156.42	152.38	157.17	155.24	156.90
Solvency (%)	Current Ratio	125.66	182.81	164.83	166.07	152.98	157.60
	Quick Ratio	64.61	108.50	108.74	108.54	98.17	91.38
	Interest Coverage Ratio	1,490.15	5,067.79	6,713.21	4,160.71	4,447.81	5,686.83
Operation Ability	Receivables Turnover Rate (Times)	7.52	7.22	6.36	5.01	5.73	5.32
	Average Collection Days	49	51	57	73	64	69
	Inventory Turnover Rate (Times)	4.02	4.02	4.92	4.66	4.94	3.54
	Payables Turnover Rate (Times)	9.92	9.89	10.04	8.61	8.58	6.20
	Average Days for Sale	91	91	74	78	74	103
	Property, Plant and Equipment Turnover Rate (Times)	2.16	2.07	2.42	2.18	2.41	1.92
	Total Asset Turnover Rate (Times)	1.03	1.01	1.12	0.98	1.07	0.85
Profitability	Return on Assets (%)	1.44	7.90	8.75	7.36	10.82	11.05
	Return on Equity (%)	1.95	12.36	13.33	11.54	17.24	16.78
	Ratio of Income before Tax to Paid-in Capital (%)	22.14	65.17	69.76	63.57	86.53	92.43
	Net Profit Margin (%)	1.20	7.64	7.66	7.32	9.94	12.75
	Earnings per Share (NT\$)	0.88	5.23	5.65	5.10	7.81	2.02
Cash Flow	Cash Flow Ratio (%)	32.27	52.11	33.78	25.86	41.56	14.30
	Cash Flow Adequacy Ratio(%)	51.47	75.72	70.62	72.56	75.38	75.58
	Cash Flow Reinvestment Ratio (%)	8.65	10.81	5.50	2.58	9.87	4.76
Leverage	Operating Leverage	6.31	2.59	1.95	2.32	2.17	1.84
	Financial Leverage	1.11	1.03	1.01	1.03	1.02	1.02

The reasons why the financial ratios have changed more than 20% in the last two years are as follows:

1. Debt-Asset Ratio, ROE, pre-tax income to paid-in capital ratio, net income, EPS: Due to the continuous and stable expansion of 2019 output, under boosting production efficiency plus the adjustment of brand clients with optimized profit portfolio, the Company was able to increase operating income and pre-tax net income substantially under effective control of costs, which results in the overall profits.
2. Cash Flow Ratio and Cash Flow Reinvestment Ratio: In 2019, due to the effective control of the overall costs in 2019, profits increased substantially as a result of the drastic increase in operating activity net cash inflow.

Note1: Financial information above has been audited (and reviewed) by the CPAs.

Note2: 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 2019. 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 2020
Fulgent Sun International (Holding) Co., Ltd

Convener of the Audit Committee: Chang, Kun-Hsien
Date: March 9, 2020

4. Financial Statements for the Most Recent Year

Independent Auditors' Review Report

(2020) Chai.Shen.Bao.Tzi No. 19003972

To the Board of Fulgent Sun International (Holding) Co., Ltd.:

Opinion

The consolidated balance sheet of Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries (the Group) as of December 31, 2019 and 2018, as well as the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the years ended then, and the consolidated financial report notes (including a summary of significant accounting policies) have been approved by the accountant.

In my opinion, the consolidated financial statements as referred to present fairly, in all material aspects the financial position of the Fulgent Sun International Group as of December 31, 2019 and 2018, and the results of its consolidated operations and consolidated cash flows for the years then ended in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and applicable IFRS, IAS, SIC, and IFRIC as endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of the Fulgent Sun International Group in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the consolidated financial statements of Group, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the Fulgent Sun International Group in 2019. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the Fulgent Sun International Group in 2019.

Sales Revenue Recognition

Matter Description

Please refer to the consolidated financial statements in Note 4 (28) for the accounting policies of sales revenue in detail. The Revenue of Fulgent Sun International Group from January 1 to December 31, 2019 was NT\$12,842,525 thousand.

Fulgent Sun International Group is engaged in the production and sales of sports and leisure outdoor shoes. In terms of the trading conditions of the sales revenue, the control over the goods is transferred when the exporting goods are delivered to the forwarders designated by the customer and the sales revenue is recognized on the day the goods are delivered.

Since Fulgent Sun International Group is based on the product delivery day as the sales revenue recognition date, the revenue recognition process involves manual control and may not properly recognize revenue in the correct period; therefore, the CPA believes that the cut-off point for recognizing sales revenue is one of the key audit matters of the year.

Corresponding Audit Procedures

The CPA's corresponding audit procedures for specific aspects described in the key audit matters of the preceding are summarized as follows:

1. Understand and evaluate the sales transaction procedures and internal controls to evaluate the management's control over the recognition of sales revenue effectively.
2. Verify that the sales revenue transactions in a certain period before and after the balance sheet date are recognized in the correct period, and that the changes in inventory quantity and carry-over of cost of goods sold have been recorded in an appropriate period to evaluate the rationality of the revenue recognition time.
3. Implement a letter of credit verification test procedure for the amount of accounts receivable at the end of the period to confirm that the accounts receivable and sales revenue are recorded in the correct period that meets the requirement of revenue recognition time.

Evaluation of the Allowance for Inventory Valuation Losses

Matter Description

Please refer to the consolidated financial statements in Note 4(11) for the accounting policies of inventory evaluation, the accounting estimates of inventory evaluation and uncertainty of assumptions in Note 5(2) of the consolidated financial statements, and the evaluation of the allowance for inventory valuation losses in Note 6(4) of the consolidated financial statements. The inventory balance of Fulgent Sun International Group on December 31, 2019 was NT\$2,142,441 thousand; the evaluation of the allowance for inventory valuation losses was NT\$84,671 thousand.

Fulgent Sun International Group measures inventories that are aged over a certain period of time and individually identified with impairment at the lower of cost or net realizable value. The net realizable value used in the evaluation of such inventories often involves subjective judgment, considering that Fulgent Sun International Group's allowance for inventory valuation losses has a significant impact on the financial statements; therefore, the CPA has classified the evaluation of the allowance for inventory valuation losses as one of the key audit matters of the year.

Corresponding Audit Procedures

The CPA's corresponding audit procedures for specific aspects described in the key audit matters of the preceding are summarized as follows:

1. Understand and evaluate the reasonableness of the subsequent inventory evaluation and provision of obsolescence losses of Fulgent Sun International Group.
2. Review its annual inventory plans and participate in annual inventory check to assess the management to distinguish and control obsolete inventory.
3. Obtain the inventory aging report and check it against the relevant supporting documents of the inventory change date, and confirm that the aging range of the inventory is correctly classified and consistent with its policies.
4. Obtain the net realizable value report of various inventories to confirm that the calculation logic is used consistently. Test the reference data of the estimated net realizable value of the inventory, including checking the supporting documents, such as, sales price and purchase price, and recalculate and evaluate the rationality of the allowance for inventory valuation losses.

Responsibilities of Management and Those in Charge with Governance of the Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and applicable IFRS, IAS, SIC, and IFRIC as endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or to suspend the business of the Fulgent Sun International Group if there are no other practical options.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Misstatements can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. We also perform the following works:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Understand the internal control related to the audit in order to design the appropriate audit procedures in the circumstances, but the purpose is not to express an opinion on the effectiveness of the internal control of Fulgent Sun International Group.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Based on the audit evidence obtained, a conclusion is drawn as to whether there are significant uncertainties about the appropriateness of the management's using the going-concern accounting basis and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Fulgent Sun International Group to continue operations. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Fulgent Sun International Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

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

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Fulgent Sun International Group of 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

The engagement partners on the audit resulting in this independent auditors' audit report are Shu-Hua Hung and Yu-Chuan Wang.

PricewaterhouseCoopers

Taipei, Taiwan
Republic of China

March 9, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,373,474	10	\$ 1,313,073	12
1170	Accounts receivable, net	6 (3)	2,329,423	18	2,140,291	19
1200	Other receivables		222,416	2	190,803	2
130X	Inventories	6 (4)	2,142,441	16	1,863,144	17
1410	Prepayments		103,763	1	77,949	-
1470	Other current assets	6 (7) and 8	98,000	1	18,734	-
11XX	Total current assets		<u>6,269,517</u>	<u>48</u>	<u>5,603,994</u>	<u>50</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss-non-current	6 (2)	4,654	-	1,854	-
1600	Property, plant and equipment	6 (5) and 8	5,727,356	44	4,930,269	44
1755	Right-of-use assets	6 (6)	775,909	6	-	-
1780	Intangible assets		16,242	-	16,970	-
1840	Deferred income tax assets	6 (22)	55,020	1	59,732	1
1900	Other non-current assets	6 (7) and 8	140,469	1	510,849	5
15XX	Total non-current assets		<u>6,719,650</u>	<u>52</u>	<u>5,519,674</u>	<u>50</u>
1XXX	Total assets		<u>\$ 12,989,167</u>	<u>100</u>	<u>\$ 11,123,668</u>	<u>100</u>

(Continued)

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

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term loans	6 (8) and 8	\$ 1,669,050	13	\$ 1,077,264	10
2130	Contract liabilities-current	6 (17)	28,538	-	27,619	-
2170	Accounts payable		1,393,220	11	1,010,680	9
2200	Other payables	6 (9)	880,558	7	931,344	8
2230	Current income tax liabilities	6 (22)	85,281	-	77,513	1
2280	Lease liabilities-current		29,073	-	-	-
2300	Other current liabilities	6 (10) (12)	12,446	-	250,158	2
21XX	Total current liabilities		<u>4,098,166</u>	<u>31</u>	<u>3,374,578</u>	<u>30</u>
Non-Current liabilities:						
2500	Financial liabilities at fair value	6 (2)	-	-	5,500	-
2530	Corporate bonds payable	6 (10)	69,780	-	971,025	9
2540	Long-term loans	6 (11)	-	-	10,000	-
2570	Deferred income tax liabilities	6 (22)	1,981	-	945	-
2580	Lease liabilities-non-current		333,188	3	-	-
2600	Other non-current liabilities	6 (12)	212,342	2	224,004	2
25XX	Total non-current liabilities		<u>617,291</u>	<u>5</u>	<u>1,211,474</u>	<u>11</u>
2XXX	Total liabilities		<u>4,715,457</u>	<u>36</u>	<u>4,586,052</u>	<u>41</u>
Equity attributable to owners of						
Share capital						
		6 (14)				
3110	Capital of common stock		1,747,566	14	1,462,735	13
3140	Capital collected in advance		-	-	65,886	1
Capital surplus						
		6 (15)				
3200	Capital surplus		4,459,672	34	3,377,120	31
Retained earnings						
		6 (16)				
3310	Legal capital reserve		421,155	3	346,855	3
3320	Special capital reserve		420,541	3	446,134	4
3350	Undistributed earnings		1,863,461	15	1,221,151	11
Other equity						
3400	Other equity		(683,175)	(5)	(420,541)	(4)
31XX	Equity attributable to		<u>8,229,220</u>	<u>64</u>	<u>6,499,340</u>	<u>59</u>
36XX	Non-controlling interests		<u>44,490</u>	<u>-</u>	<u>38,276</u>	<u>-</u>
3XXX	Total Equity		<u>8,273,710</u>	<u>64</u>	<u>6,537,616</u>	<u>59</u>
Significant contingent liabilities 9						
3X2X	Total liabilities and equity		<u>\$ 12,989,167</u>	<u>100</u>	<u>\$ 11,123,668</u>	<u>100</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for earnings per share amounts)

Item	Note	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6 (17)	\$ 12,842,525	100	\$ 10,070,151	100
5000 Operating costs	6 (4)	(10,313,919)	(80)	(8,257,132)	(82)
5950 Net gross profit from operations		<u>2,528,606</u>	<u>20</u>	<u>1,813,019</u>	<u>18</u>
Operating expenses	6 (21)				
6100 Selling expenses		(215,464)	(2)	(182,479)	(2)
6200 Administrative expenses		(711,346)	(6)	(672,073)	(7)
6300 Research and development expenses		(144,821)	(1)	(124,079)	(1)
6000 Total operating expenses		<u>(1,071,631)</u>	<u>(9)</u>	<u>(978,631)</u>	<u>(10)</u>
6900 Operating income		<u>1,456,975</u>	<u>11</u>	<u>834,388</u>	<u>8</u>
Non-operating income and expenses					
7010 Other income	6 (18)	73,565	1	57,092	-
7020 Other gains and losses	6 (19)	16,409	-	61,240	1
7050 Finance costs	6 (20)	(34,780)	-	(22,898)	-
7000 Total non-operating income and expenses		<u>55,194</u>	<u>1</u>	<u>95,434</u>	<u>1</u>
7900 Profit before tax		<u>1,512,169</u>	<u>12</u>	<u>929,822</u>	<u>9</u>
7950 Income tax expenses	6 (22)	(235,658)	(2)	(192,536)	(2)
8200 Profit for the year		<u>\$ 1,276,511</u>	<u>10</u>	<u>\$ 737,286</u>	<u>7</u>
Other comprehensive income (net)					
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translation of foreign financial statements		(\$ 264,473)	(2)	\$ 26,246	-
8300 Other comprehensive income (net)		<u>(\$ 264,473)</u>	<u>(2)</u>	<u>\$ 26,246</u>	<u>-</u>
8500 Total comprehensive income(loss)		<u>\$ 1,012,038</u>	<u>8</u>	<u>\$ 763,532</u>	<u>7</u>
Net income(loss) attributable to:					
8610 Shareholders of the parent company		<u>\$ 1,279,195</u>	<u>10</u>	<u>\$ 743,001</u>	<u>7</u>
8620 Non-controlling interests		<u>(\$ 2,684)</u>	<u>-</u>	<u>(\$ 5,715)</u>	<u>-</u>
Total comprehensive income(loss) attributable to:					
8710 Shareholders of the parent company		<u>\$ 1,016,560</u>	<u>8</u>	<u>\$ 769,016</u>	<u>7</u>
8720 Non-controlling interests		<u>(\$ 4,522)</u>	<u>-</u>	<u>(\$ 5,484)</u>	<u>-</u>
Earnings per share	6 (23)				
9750 Basic earnings per share		<u>\$</u>	<u>7.81</u>	<u>\$</u>	<u>5.10</u>
Diluted earnings per share					
9850 Diluted earnings per share		<u>\$</u>	<u>7.31</u>	<u>\$</u>	<u>4.82</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Note	Attributable to owners of the parent company											
		Share capital			Retained earnings			Other equity					
		Capital of common stock	Capital collected in advance	Capital surplus	Legal capital reserve	Special capital reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Treasury stock	Total	Non-controlling interests	Total Equity
<u>2018</u>													
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
Effect of retrospective application and retrospective restatement		-	-	-	-	-	422	-	(422)	-	-	-	-
Adjusted balance as of January 1, 2018		<u>1,461,973</u>	<u>-</u>	<u>3,336,445</u>	<u>266,544</u>	<u>244,368</u>	<u>1,369,923</u>	<u>(446,556)</u>	<u>-</u>	<u>(32,824)</u>	<u>6,199,873</u>	<u>43,760</u>	<u>6,243,633</u>
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(loss)		-	-	-	-	-	743,001	26,015	-	-	769,016	(5,484)	763,532
Appropriations of earnings	6 (16)												
Legal capital reserve		-	-	-	80,311	-	(80,311)	-	-	-	-	-	-
Special capital reserve		-	-	-	-	201,766	(201,766)	-	-	-	-	-	-
Cash dividends to shareholders		-	-	-	-	-	(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		-	-	29,674	-	-	-	-	-	-	29,674	-	29,674
Common stock converted from convertible corporate bonds	6 (10) (25)	762	-	3,270	-	-	-	-	-	-	4,032	-	4,032
Transfer of treasury stocks to employees		-	-	-	-	-	(10,142)	-	-	32,824	22,682	-	22,682
Balance at December 31, 2018		<u>\$ 1,462,735</u>	<u>\$ 65,886</u>	<u>\$ 3,377,120</u>	<u>\$346,855</u>	<u>\$446,134</u>	<u>\$ 1,221,151</u>	<u>(\$ 420,541)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,499,340</u>	<u>\$38,276</u>	<u>\$ 6,537,616</u>
<u>2019</u>													
Balance at January 1, 2019		\$ 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
Profit for the year		-	-	-	-	-	1,279,195	-	-	-	1,279,195	(2,684)	1,276,511
Other comprehensive income		-	-	-	-	-	-	(262,634)	-	-	(262,634)	(1,839)	(264,473)
Total comprehensive income(loss)		-	-	-	-	-	1,279,195	(262,634)	-	-	1,016,561	(4,523)	1,012,038
Appropriations of earnings	6 (16)												
Legal capital reserve		-	-	-	74,300	-	(74,300)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(25,593)	25,593	-	-	-	-	-	-
Cash dividends to shareholders		-	-	-	-	-	(588,178)	-	-	-	(588,178)	-	(588,178)
Capital increase by cash	6 (14) (15)	60,000	(65,886)	168,427	-	-	-	-	-	-	162,541	-	162,541
Common stock converted from convertible corporate bonds	6 (10) (25)	224,831	-	914,125	-	-	-	-	-	-	1,138,956	-	1,138,956
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	10,737	10,737
Balance at December 31, 2019		<u>\$ 1,747,566</u>	<u>\$ -</u>	<u>\$ 4,459,672</u>	<u>\$421,155</u>	<u>\$420,541</u>	<u>\$ 1,863,461</u>	<u>(\$ 683,175)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,229,220</u>	<u>\$44,490</u>	<u>\$ 8,273,710</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

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

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 1,512,169	\$ 929,822
Adjustments			
Adjustments to reconcile profit and loss			
Net (gain) Loss on financial assets and liabilities measured at fair value through profit and loss	6 (2) (19)	(8,871)	2,701
Depreciation expense	6 (5) (6) (21)	616,174	518,911
Amortization expense	6 (21)	39,051	29,872
Expected credit loss (reversal) provision	12 (2)	5,383	802
Long-term prepayment of rent for rental	6 (7)	-	6,474
Loss on disposal or retirement of property, plant and equipment	6 (19)	8,861	40,867
Loss on disposal of intangible assets		-	206
Interest income	6 (18)	(10,529)	(11,187)
Interest expenses	6 (20)	34,780	22,898
Compensation cost of share-based payment		-	12,391
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets (liabilities) measured at fair value through profit and loss		-	148
Notes receivable		-	9
Accounts receivable		(249,196)	(217,623)
Other receivables		(35,377)	(68,497)
Inventories		(332,026)	(325,636)
Prepayments		(30,452)	(17,220)
Other current assets		(16,982)	861
Net changes in operating liabilities			
Contract liability		1,618	13,014
Notes payable		-	(4,791)
Accounts payable		415,296	108,391
Other payables		(12,832)	78,021
Other current liabilities		(802)	(1,998)
Other non-current liabilities		(3,306)	(3,179)
Cash inflows generated from operating activities		1,932,959	1,115,257
Interest received		9,873	11,008
Interest paid		(23,991)	(22,962)
Income tax paid		(215,445)	(230,574)
Net cash generated from operating activities		<u>1,703,396</u>	<u>872,729</u>

(Continued)

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Note	2019	2018
<u>Cash flows from investing activities</u>			
Increase in other financial assets	6 (7)	(\$ 61,428)	\$ -
Acquisition of property, plant and equipment	6 (25)	(1,506,853)	(965,385)
Disposal of property, plant and equipment		8,091	35,198
Acquiring right-of-use assets	6 (6)	(23,227)	-
Acquiring intangible assets		(3,271)	(1,851)
Increase in other non-current assets		(82,062)	(158,053)
Decrease (increase) in refundable deposits		<u>312</u>	<u>(42)</u>
Net cash used in investing activities		<u>(1,668,438)</u>	<u>(1,090,133)</u>
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6 (26)	618,597	177,167
Long-term loans	6 (26)	204,411	151,418
Repayment of long-term loans	6 (26)	(214,171)	(234,306)
Lease principal repayment	6 (6) (26)	(50,729)	-
Issuance of convertible corporate bonds payable	6 (26)	-	1,006,000
Redemption of convertible corporate bonds payable	6 (10) (26)	(5,300)	(9,865)
Cash dividends	6 (16)	(588,178)	(599,554)
Capital increase by cash	6 (14)	165,114	-
Capital increase by cash collected in advance	6 (14)	-	65,886
Treasury stock purchased by employees		-	18,020
Increase (decrease) in non-controlling interests		<u>10,737</u>	<u>-</u>
Net cash flows from financing activities		<u>140,481</u>	<u>574,766</u>
Effect of exchange rate changes		<u>(115,038)</u>	<u>(112,326)</u>
Net increase in cash and cash equivalents		60,401	245,036
Cash and cash equivalents at beginning of period		<u>1,313,073</u>	<u>1,068,037</u>
Cash and cash equivalents at end of period		<u>\$ 1,373,474</u>	<u>\$ 1,313,073</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
2019 and 2018

Unit NTD thousand
(Unless Otherwise Specified)

1. Company History

Fulgent Sun International (Holding) Co., Ltd. (hereinafter referred to as "the Company") was established in November 2009 in British Cayman Islands, the address of the Office is "No. 76, Sec. 3, Yunlin Rd., Douliu City, Yunlin County", for the main business of the Company and Subsidiaries (collectively referred to as "the Group") is production and sales of sports and leisure outdoor footwear.

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and published on March 9, 2020.

3. New Standards, Amendments and Interpretations Adopted

The impact of the newly issued and revised international financial report standards approved by Financial Supervisory Commission(hereinafter referred to as the "FSC")

The following table lists the criteria and interpretations for the new issuance, revision and amendment of the IFRS as accredited by FSC in 2019:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date set by IASB</u>
Amendments 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 for 2015-2017 Cycle	January 1, 2019

The group has assessed the above criteria and explanations as having no significant impact on the financial position and financial performance of the group, except as described below:

IFRS 16 "Leases"

1. International Financial Reporting Standards 16 "Leases" replaces the current International Accounting Standards 17 "Leases" and its related explanations and interpretations. This standard stipulates that the lessee should recognize the right to use assets and lease liabilities (except for leases of assets with a lease period of less than 12 months or low value subject matter); the lessor's accounting treatment is still the same, based on two types of leases; namely, business lease and financial lease, only related disclosure is added.
2. When applying the 2019 version of IFRSs approved by the FSC, the Group will adopt non-reprogramming comparative information (hereinafter referred to as "revised retrospective adjustment") for the International Financial Reporting Standards No. 16; it will be a lessee's lease contract, which will increase the usufruct assets by \$651,037 on January 1, 2019, increase the lease liabilities by \$235,140, and reduce the non-current assets by \$415,897.
3. For the first time, IFRS No. 16 was applied to the Group; the following practices

were adopted:

- (1) The non-evaluation of whether a contract is (or contains) a lease shall be treated in accordance with the provisions of international Financial reporting standard 16th as a contract that has been identified as a lease at the time of the interpretation of 17th and international financial reports of the previous application of IAS No. 4th.
 - (2) A single discount rate will be applied to the lease portfolio with reasonable similar characteristics.
 - (3) Short-term leasing is adopted for leases that will end before December 31, 2019. The rental fees recognized in these contracts of 2019 are \$658.
 - (4) The original direct cost is not included in the measurement of the right-to-use assets.
 - (5) Evaluating the exercise of the option of extension of lease and the non-exercise of the option of termination of lease as to the judgment of the lease period shall be based on hindsight.
 - (6) Liabilities under a loss-making lease contract are prepared to adjust the right-to-use assets.
4. In calculating the present value of the lease liabilities, the Group adopts the group's increased borrowing interest rate with a weighted average interest rate of 0.99%.
 5. The present value of the Group's discounted incremental borrowing rate on the first applicable date is the same as the amount of the lease liabilities recognized in January 1, 2019, according to the amount disclosed in IAS 17.

The impact of not using the newly issued and revised international financial report standards approved by Financial Supervisory Commission

The following table summarizes the newly issued, amended and revised standards and interpretations of IFRSs applicable in 2020 that are recognized by the Financial Supervisory Commission.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date set by IASB</u>
Revision of IAS 1 and IAS 8 "Definition of Significance"	January 1, 2020
Revision of IFRS 3 "Definition of Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020

The group's evaluation of the above criteria and explanations has no significant impact on the financial position and financial performance of the Group.

The impact of international financial reporting standards issued by the International Accounting Standards Board has not yet been approved by the FSC.

The following table shows the criteria and explanations newly issued, revised and amended by the International Accounting Standards Board (IASB) which have not yet been approved by the FSC.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date set by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures"	Investment still held by the IASB decision
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Liabilities are classified as current or non-current"	January 1, 2022

The group's evaluation of the above criteria and explanations has no significant impact on the financial position and financial performance of the Group.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies apply consistently during all reporting periods, unless otherwise specified.

(1) Statement of Compliance

This consolidated financial report is prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards (IAS), SICs, and IFRICs (referred to as “IFRSs”) recognized by the Financial Supervisory Commission (FSC).

(2) Basis of Preparation

1. Except for the following important items, this consolidated financial report is prepared based on historical cost:

Fair value measurement through profit or loss, and financial assets and liabilities measured at fair value.

2. The preparation of financial reports conforming to the IFRSs recognized by the FSC, requires the use of some important accounting estimates. In the application of the Group's accounting policies, it is also necessary for the management to use their judgments, and involvement of items which requires profound judgment or complexity, or major assumptions and estimates with regards to consolidated financial statements. Please to note 5 for details.

(3) Basis of Consolidation

1. Principles of preparation of consolidated financial statements

(1) The Group incorporates all subsidiaries for the preparation of the consolidated financial statements. The subsidiaries of the Company refers to the business entities (including the structured business entity) controlled by the Company. When the Group is exposed to the variable return of the subsidiary or is entitled to such variable return; also, when the Group can influence such variable return through the power over the subsidiary, the Group controls the subsidiary. Subsidiaries are incorporated into the consolidated financial statements from the date they are controlled by the Group and cease to be consolidated on the date it is no longer controlled by the Group.

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated from the consolidated financial statements. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

(3) Profit or loss and the components of other comprehensive income are attributed to owners of the parent and non-controlling interests; the total amount of comprehensive income is also attributed to owners of the parent and non-controlling interests even if non-controlling interest derive a loss as result.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions. 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 over the subsidiary, the remaining investment in the former subsidiary is re-measured at fair value and used as the fair value of the originally recognized financial asset or the cost of the originally recognized investment in an affiliated company or joint venture, the difference of the fair value and the book value is recognized as the profit and loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. List of subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		Remark
			December 31, 2019	December 31, 2018	
The Company	Capital Concord Enterprises Limited (Capital Concord Enterprises Limited H.K.)	Investment Holding and Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Fujian Laya Outdoor Products Co., Ltd. (Fujian Laya Co., Ltd.)	Distribution Agent and Import and Export Trade	100	100	
Capital Concord Enterprises Limited H.K.	Laya Max Trading Co., Ltd. (Taiwan Laya)	Distribution Agent and Import and Export Trade	100	100	
Capital Concord Enterprises Limited H.K.	Hong Kong Laya Outdoor Products (Hong Kong Laya)	Holding company	100	100	
Capital Concord Enterprises Limited H.K.	Fujian Sunshine Footwear Co., Ltd. (Sunshine)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Sunny Footwear Co., Ltd. (Sunny)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Hubei Sunsmile Footwear Co., Ltd. (Sunsmile)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Fulgent Sun Footwear Co., Ltd. (Fulgent Sun)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunbow Enterprises Co., Ltd. (Sunbow)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. (Sunstone)	Processing and Sale of Clothing	91.27	91.27	
Capital Concord Enterprises Limited H.K.	NGOC Hung Footwear Co., Ltd. (NGOC HUNG)	Sports Leisure Outdoor Footwear Production and Sales	100	100	

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		Remark
			December 31, 2019	December 31, 2018	
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd. (Sunlit)	Land lease	100	100	
Hong Kong Laya Outdoor Products	Fujian La Sportiva Co., Ltd. (La Sportiva)	Distribution Agent and Import and Export Trade	60	60	

3. Subsidiaries not included in the consolidated financial report: None.
4. Subsidiaries' different adjustment and treatment during accounting period: None.
5. Major Restrictors: None.
6. Subsidiaries with significant non-controlling interests in the Group: None.

Foreign-Currency Translations

The functional currencies of the Group's subsidiaries in the Republic of China, the People's Republic of China, and Southeast Asia are NTD, RMB, and VND and USD, respectively. The consolidated financial report is presented using "NTD" as the reporting currency.

1. Foreign Currency Transactions and Balances

- (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
- (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
- (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.
- (4) All other gains and losses from exchange are reported as "other profits and losses" in the Income Statement by its nature of transaction.

2. Translation of the financial statements of foreign operations

If the functional currency and reporting currency of the individual entity in a Group, affiliated company, and joint ventures are different, the operating results and financial status are converted into the reporting currency in the following manners:

- (1) Assets and liabilities reported on each balance sheet are translated at the closing exchange rate on the balance sheet date.

- (2) Income and expenses presented in the Statement of Comprehensive Income are translated at the average exchange rates for the period.
- (3) All resulting exchange differences are recognized in other comprehensive income.

Criteria for distinguishing Current or Non-Current on the Balance Sheet

1. Assets that meet one of the following criteria are classified as current assets:
 - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (2) Held mainly for the purpose of trading.
 - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
 - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

The Group classifies assets that do not meet any of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be paid off within the normal operating cycle.
 - (2) Held mainly for the purpose of trading.
 - (3) Expected to be repaid within 12 months of the balance sheet date
 - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 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 any of the above criteria as non-current liabilities.

Cash and Cash Equivalents

Cash equivalent refers to a short-term and highly liquid investment, which can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the aforementioned definitions and are held for the purpose of meeting short-term cash commitments in operation are classified as cash equivalents.

Financial Assets at Fair Value Through Profit and Loss

1. Refers to financial assets that are not measured at amortized cost or measured at fair value through other comprehensive profit or loss.
2. The Group adopts trade date accounting for financial assets that are measured at fair value through profit or loss and meet the requirements of trade practice.
3. The Group originally measured financial assets at fair value with the relevant transaction costs recognized in profit or loss and then subsequently measured financial assets at fair value with the profit or loss recognized in profit and loss.
4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit and loss.

Accounts Receivable and Notes

1. Refers to the accounts and notes that have been unconditionally charged for the right to the amount of consideration exchanged for the transfer of goods or services in accordance with the contract.
2. Refers to short-term accounts receivable and notes receivable without interest accrued; because the effect of discounting is insignificant, the Group has it measured by the original invoice amount.

Impairment of Financial Assets

The Group considers all reasonable and supportable information (including forward-looking information), for financial assets measured at amortized cost and accounts receivable or contract assets that contain significant financial components on each balance sheet date. Then, for those without a significant increase in credit risk since the original recognition, the allowance for loss is measured at the 12-month expected credit loss amount; for those with a significant increase in credit risk since the original recognition, the allowance for loss is measured at the expected credit loss amount throughout the duration. For receivables that do not include significant financial components, the allowance is measured at the expected credit loss amount throughout the duration.

The De-recognition of Financial Assets

When the Group's contractual rights received from the cash flows of financial assets are invalid, the financial assets will be written-off.

Inventories

Inventories are measured at the lower of cost or net realizable value, and cost carry-over is calculated in accordance with the weighted average method. The cost of finished products and work-in-progress goods includes raw materials, direct labor, other direct cost, and manufacturing expenses (distributed according to general production capacity), but do not include loan cost. For the comparison of the lower of cost or net realizable value, the item-by-item comparison method is adopted. The net realizable value refers to the balance amount by having the estimated selling price in the normal course of business net of the estimated cost required for completion and related selling expenses.

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 carrying amount or recognized as a spare 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 period in which they are incurred.
3. Property, plant and equipment are subsequently measured in cost mode with depreciation amortized using the straight-line method based on the period of depreciation except land for which no depreciation is to be amortized. If each component of property, plant and equipment are significant, it is depreciated separately.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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 change. Useful lives of assets are as follows:

Buildings	2 to 50 years
Machinery equipment	3 to 20 years
Transport equipment	3 to 20 years
Office equipment	3 to 11 years
Other equipment	1 to 21 years

Lessee's Lease Transaction - Right-of- Use Assets/Lease Liabilities

Applicable in 2019

1. The lease assets are recognized as the right-of-use assets and lease liabilities on the day available for being used by the Group. As the lease contract is leased on a short-term basis or a low value asset, the Straight-Line Method of the lease payment is recognized as the cost during the term of lease.
2. Lease liabilities are recognized on the basis of the present value of the loan interest rate discounted, and that has not been paid with the Group's increased loan rate; the lease payment includes:

- (1) With fixed payments, deducting any rental incentives receivable;
- (2) For the lease payment, it is based on the change of an index or rate;

The subsequent interest method is measured by amortization cost method; the interest expense is listed during the term of lease. When a lease period or a change in lease payment is caused by a non-contractual modification, the lease liability will be re-evaluated and the number of adjusted use for the right-of-use asset will be re-measured.

3. The right-of-use assets is recognized at the cost on the start date of the lease, including:
 - (1) The original amount of the leased liabilities;
 - (2) Any rental payment paid on or before the start date;

The cost of subsequent acquisition is measured in terms of the depreciation expense when the term of the end of the term of the right-of-use asset is expired or when the lease period expires, whichever is earlier. When the lease liability is re-evaluated, the right-of-use asset will adjust any re-measurement of the lease liability.

Leased Assets / Operating Leases (Lessees)

Applicable in 2018

Operating lease payments less any incentives from the lessor amortized over the lease term using the straight-line method are recognized in profit or loss in the current period.

Intangible Assets

Computer software is recognized at acquisition cost and amortized using the straight-line method. The amortization period is for a period of 3 ~ 15 years.

Losses in Non-Financial Asset

The Group estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. If, in a subsequent period, impairment of the asset ceased to exist or the amount of the impairment loss decreased, the amount of impairment loss recognized previously shall be reversed. The reversal shall not cause the carrying amount of the financial asset exceeding the depreciated or amortized cost of the asset in the period before recognition of the impairment loss.

Borrowings

It refers to the long-term and short-term loans borrowed from banks. The Group had it measured originally at the fair value less transaction cost. Subsequently, for any difference between the price after deducting transaction costs and the redemption value shall be recognized as interest expense in the profit and loss by using the effective interest method in accordance with the amortization procedure during the circulation period.

Accounts Payable and Notes Payable

1. Refers to debts incurred for the purchase of raw materials, goods, or services on credit and notes payable for business and non-business purposes.
2. Refers to short-term accounts payable and notes payable without interest accrued, since the effect of discounting is insignificant, the Group has it measured by the original invoice amount.

Financial Liabilities at Fair value Through Profit and Loss

1. Refers to available-for-sale financial liabilities that are held for the main purpose of being sold or repurchased in the near future.
2. The Group originally measured financial assets at fair value with the relevant transaction costs recognized in profit or loss and then subsequently measured financial assets at fair value with the profit or loss recognized in profit and loss.

Offset of Financial Assets and Liabilities

When there is a legally enforceable right to offset the recognized financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other with the net amount stated in the balance sheet.

Convertible Corporate Bonds Payable

The convertible corporate bonds payable issued by the Group are embedded with conversion rights (that is, holders can choose to convert into common shares of the Group, which is having a fixed amount converted into a fixed number of shares) and calls and puts, and the issuance price is classified as financial assets and financial liabilities or equities according to the issuance conditions at the time of initial issuance as follows:

1. The calls and puts embedded with the convertible corporate bonds payable issued by the Group are recorded originally at the net fair value as "financial assets or liabilities measured at fair value through profit or loss." They will be measured subsequently at the fair value on the balance sheet date with the amount of difference recognized as "financial assets (liability) profit or loss measured at fair value through profit or loss."

2. The principal contract of convertible corporate bond payable is originally measured at fair value, and the difference between the value and the redemption value is recognized as the premium or discount on corporate bonds payable, which is debited or credited to the corporate bonds payable; subsequently, it shall be recognized in the profit or loss by using the effective interest method at the amortized cost during the circulation period and adjusted to the “financial cost.”
3. The conversion right embedded in the convertible corporate bonds payable issued by the Group is in line with the definition of equity. When it was originally recognized, it was recognized and booked in the “Additional paid-in capital – stock option” for the issuance amount net of the aforementioned “financial assets or liabilities measured at fair value through profit or loss” and “net corporate bonds payable;” also, it will not be re-measured in the future.
4. The direct cost related to the issuance of convertible corporate bond payable is attributed to the liabilities and equity in proportion to the original book value.
5. The conversion made by the holder that is booked in the liability component (including “corporate bonds payable” and “financial assets or liabilities measured at fair value through profit or loss”) is handled in accordance with the subsequent measurement method after classification, and then the issuance cost converting to common stock is based on the book value of the aforementioned liability component plus the book value of the “additional paid-in capital – stock options.”
6. When the holders of corporate bonds can execute the right of puts within the next year, the corporate bonds payable should be classified as current liabilities. The corporate bond payable that is without the right of put exercised after the deadline for exercising the right of put should be reversed to noncurrent liabilities.

Non-Hedging Derivatives

Non-hedging derivatives are originally measured at fair value on the date of signing the contract. Financial assets or liabilities measured at fair value through profit or loss are subsequently measured at fair value with the benefits or losses recognized in profit or loss.

Employee Benefits

1. Short-term employee benefits

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

2. Pension

Regarding the defined pension plan, the amount of pension is appropriated on the basis of accrual and recognized as the current pension cost. Prepaid contributions are recognized to the extent of a cash refund or a reduction in the future payments.

3. Employees’ bonus and directors’ and supervisors’ remuneration

Employees’ bonus and directors’ and supervisors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees’ compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. In addition, if stock dividend is distributed to employees as bonus, the basis for calculating the number

of shares is the closing price on the day before the resolution of the shareholders meeting.

Employee Share-Based Payment

1. The share-based payment agreement based on equity delivery is to have the labor service measured according to the fair value of the considerations on the payment day, and it is recognized as compensation costs in the vested period with the equity adjusted accordingly. The fair value of equity commodities should reflect the effects of market vested conditions and market non-vested conditions. Recognized remuneration cost is adjusted along with the amount of rewards that are expected to meet service conditions and non-market vested conditions until the final recognition amount is recognized at the amount acquired on the vesting date.
2. Restrictive Employee Shares:
 - (1) Labor cost is recognized on the vesting date at the fair value of the vested equity commodity over the vested period.
 - (2) There is no restriction on the right to participate in the distribution of dividends, and employees who have left the employment during the vesting period do not need to return the vested dividends. At the date of dividend declaration, the fair value of the dividends to the employees who plan to leave the employment during the vested period should be recognized as labor cost.
 - (3) Employees are not required to pay for the restrictive employee shares. If the employees leave the employment within the vested period, the Company will recover the shares free of charge and have them cancelled.

Income Tax

1. The tax expense for the period comprises current and deferred 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 current income tax charge is 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 accordance with the applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on 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 as of 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 income 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 income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is 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. Deferred income tax assets and liabilities are offset on the balance sheet 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.

Share Capital

1. Common stocks are classified as equity. The incremental cost directly related to the issuance of new shares or options is debited to the equity for an amount after tax.
2. When the Company buys back the outstanding shares, the consideration paid including any directly attributable incremental cost is debited to the shareholder's equity for an amount after tax. When the repurchased shares are subsequently reissued, the difference between the consideration received after deducting any directly attributable incremental cost and income tax effect and the book value is adjusted to the shareholder's equity.

Dividends

Dividends distributed to shareholders of the Company are recognized in the financial report when a resolution is reached in the Company's shareholders meeting. Cash dividends are recognized as liabilities, stock dividends are recognized as stock dividends to be distributed and are booked as common stock at the base date of issuing new shares.

Recognition of Revenue

1. Product sales
 - (1)The Group is engaged in the production and sales of sports and leisure outdoor shoes. Sales income is recognized when control of the product is transferred to customers. The risk of product outdated and obsolescence is transferred to customers when the product is shipped to the designated location and the customer accepts the product in accordance with the sales contract, or, if there is objective evidence that all acceptance criteria have been met, the delivery of commodity is completed successfully.
 - (2)Part of the Group's sales income from the sale of sports and leisure outdoor shoes is recognized at the contract price net of the estimated sales discount. The sales discount offered to customers is usually calculated on the basis of cumulative sales over 12 months. The Group estimates the sales discount based on historical experience. The income recognition amount is limited to the part that is most unlikely to undergo a significant reverse in the future and the amount is to be updated on each balance sheet date. The estimated sales discount payable to customers as of the balance sheet date is recognized as a refund liability. The payment terms for sales transactions are due within 30-75 days after the shipment date, which is consistent with market practice. Therefore, it is concluded that the contract does not include significant financial components.
 - (3)Accounts receivable are recognized when the commodity is delivered to

customers. The Group since that point on has unconditional rights to the contract price and can collect the considerations from customers at the agreed time.

2. Financial Components

The Group has contracts signed with customers to have the promised commodity or service delivered and the payment made within one year or shorter; therefore, the Group has not adjusted the transaction price to reflect the time value of money.

Government Grants

Government grants will be recognized at fair value when it can be reasonably assured that the enterprise will comply with the conditions attached to the government grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the government grant will be recognized in profit and loss on a systematic basis during the period when the related expenses incurred. Government grants related to property, plant, and equipment are recognized as noncurrent liabilities and are recognized in profit and loss on a straight-line basis based on the estimated useful lives of the relevant assets.

Operating Segment

The operating segment information and the internal management reports submitted to the mainly operational decision makers are consistent in the way of reporting. The chief operating decision-maker is responsible for allocating resources to operating segments and evaluating their performance. The Board of Directors has been identified as the chief operating decision-maker of the Group.

5. Major Sources of Uncertainty in Major Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions are entailed with a risk of causing a material adjustment to the book value of assets and liabilities in the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory evaluation

Since inventory shall be measured on the basis of the lower the cost and net realizable value, the Group must determine the net realizable value of inventory of the Balance Sheet date with judgment or estimation. Due to the rapid changes in technology, the Group assesses the amount of inventory normal wear and tear, obsolescence, or poor marketability of the Balance Sheet date; also, has the inventory cost offset till it is equivalent to the net realizable value. This inventory evaluation is mainly based on the future demand for a specific period of time; therefore, a significant change is expected.

6. Explanation of Significant Accounts

(4) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 6,644	\$ 3,582
Checking deposits & demand deposits	1,055,034	845,574
Time deposits	311,796	463,917
Total	<u>\$ 1,373,474</u>	<u>\$ 1,313,073</u>

1. The financial institutions of the Group have good credit quality, and the Group has dealings with several financial institutions to distract credit risk; so the possibility of default is very unlikely.
2. The Group presents time deposits with original maturity of more than 3 months and not meeting short-term cash commitments under "Other Current Assets". Amounts of December 31, 2019 and 2018 are \$43,050 and \$0, respectively.
3. Restricted Bank deposits of the Group. Please to note 6 (7) for details.

(5) Financial Asset(Liability) at Fair Value through Profit or Loss

Item	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Listed company stock	\$ 4,626	\$ 1,854
- Convertible corporate bond redemption and sale rights	28	-
Total	<u>\$ 4,654</u>	<u>\$ 1,854</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
- Convertible corporate bond redemption and sale rights	<u>\$ -</u>	<u>(\$ 5,500)</u>

1. The group has no non-hedging transactions contracts for derivative financial assets in 2019 and 2018.

The Group engaged in forward foreign exchange transactions, mainly on buying forward transactions (selling USD for RMB), which was to avoid exchange rate risks on import and export, but no non-hedging accounting was applied. The recognized interests in 2019 and 2018, with recognized gains and (losses) were \$0 and \$(832), respectively.

2. The convertible corporate bonds the Group held the right to redeem and sell in 2019 and 2018, with recognized gains and (losses) were \$6,099 and \$(815), respectively.
3. The shares of listed OTC companies the Group held in 2019 and 2018, with recognized gains and (losses) were \$2,772 and \$(1,054), respectively.
4. The Group has not pledged financial assets to be measured at fair value through gains and losses.

(6) Notes and Accounts Receivable, Net

Item	December 31, 2019	December 31, 2018
Accounts receivable	\$ 2,338,138	\$ 2,143,921
Less: Allowance for impairment	(8,715)	(3,630)
	<u>\$ 2,329,423</u>	<u>\$ 2,140,291</u>

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

Item	December 31, 2019	December 31, 2018
Current	\$ 2,265,039	\$ 2,030,828
Overdue 0 to 90 days	63,904	110,491
Overdue 91 to 180 days	553	139
Overdue 181 to 365 days	1,805	474
Over 365 days past due	6,837	1,989
	<u>\$ 2,338,138</u>	<u>\$ 2,143,921</u>

The above-mentioned information is based on the number of overdue days as the basis for the aging analysis.

2. The balance of accounts receivable and notes receivable of December 31, 2019 and 2018 were generated by the customer contract. The balance of accounts receivable from the customer contract as of January 1, 2018 was \$1,874,194.

3. The Group's notes and accounts receivables are best represented on December 31, 2019 and 2018, regardless of the collateral or other credit enhancements held. The risk exposure amount of the maximum credit risk is the book value of each type of notes and accounts receivables.

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

(7) Inventories

	December 31, 2019		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 59,700	(\$ 12,717)	\$ 46,983
Raw material	575,075	(46,524)	528,551
Work in process	520,857	(5,357)	515,500
Finished goods	719,118	(20,073)	699,045
Inventory in-transit	352,362	-	352,362
Total	<u>\$ 2,227,112</u>	<u>(\$ 84,671)</u>	<u>\$ 2,142,441</u>

	December 31, 2018		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 75,803	(\$ 15,114)	\$ 60,689
Raw material	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	<u>\$ 1,947,896</u>	<u>(\$ 84,752)</u>	<u>\$ 1,863,144</u>

The cost of inventories recognized by the Group as expenses in the current period:

Item	2019	2018
Inventory cost sold	\$ 10,303,289	\$ 8,249,459
Inventory valuation losses (gain from price recovery)	(81)	1,902
Inventory scrap loss	988	1,805
Stock loss	10,158	5,883
Recognized as expenses	(3,129)	(1,786)
Effect of exchange rate changes	2,694	(131)
	\$ 10,313,919	\$ 8,257,132

The Group recognized a reduction in the cost of goods sold due to a rebound in the net realizable value of inventory that had been listed as loss of price for the 2019.

(8) Property, Plant and Equipment

2019

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 302,054	\$ -	\$ -	\$ -	(\$ 7,228)	\$ 294,826
Buildings	3,214,325	234,964	(425)	185,614	(98,044)	3,536,434
Machinery equipment	2,483,953	578,218	(97,565)	178,793	(77,081)	3,066,318
Transport equipment	92,163	9,346	(668)	(120)	(2,540)	98,181
Office equipment	40,590	2,553	(611)	519	(1,319)	41,732
Others	1,188,306	143,554	(30,861)	49,250	(34,725)	1,315,524
Construction in progress	521,341	504,688	-	(382,612)	(12,702)	630,715
	<u>\$ 7,842,732</u>	<u>\$ 1,473,323</u>	<u>(\$ 130,130)</u>	<u>\$ 31,444</u>	<u>(\$ 233,639)</u>	<u>\$ 8,983,730</u>

Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 887,467)	(\$ 150,389)	\$ 403	\$ -	\$ 35,055	(\$ 1,002,398)
Machinery equipment	(1,232,709)	(225,742)	80,656	26	49,030	(1,328,739)
Transport equipment	(55,023)	(6,777)	668	14	1,786	(59,332)
Office equipment	(34,599)	(2,332)	611	(26)	1,240	(35,106)
Others	(702,665)	(186,719)	30,840	(14)	27,759	(830,799)
	<u>(\$ 2,912,463)</u>	<u>(\$ 571,959)</u>	<u>\$ 113,178</u>	<u>\$ -</u>	<u>\$ 114,870</u>	<u>(\$ 3,256,374)</u>
	<u>\$ 4,930,269</u>					<u>\$ 5,727,356</u>

2018

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	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
Transport 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
	<u>\$ 6,920,508</u>	<u>\$ 1,103,322</u>	<u>(\$ 278,754)</u>	<u>(\$ 2,661)</u>	<u>\$ 100,317</u>	<u>\$ 7,842,732</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	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)
Transport 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	-	-	-
	<u>(\$ 2,601,239)</u>	<u>(\$ 518,911)</u>	<u>\$ 202,689</u>	<u>\$ 846</u>	<u>\$ 4,152</u>	<u>(\$ 2,912,463)</u>
	<u>\$ 4,319,269</u>					<u>\$ 4,930,269</u>

On December 31, 2019 and 2018, the Group provides guarantees information with property, plant and equipment, please refer to Note 8.

Lease Arrangements

Applicable in 2019

1. The Group's leased assets include land, houses and buildings, and official vehicles. The lease contract usually lasts from 1 to 50 years. The lease contract is negotiated individually and contains various terms and conditions. There are no restrictions except that the leased assets may not be used as loan guarantees.
2. The book value of the right-to-use assets and the depreciation charges recognized are as follows:

Item	December 31, 2019 Carrying amount
Land	\$ 576,970
Buildings	198,912
Transportation Equipment (company car)	27
	<u>\$ 775,909</u>

Item	2019 Depreciation
Land	\$ 34,568
Buildings	9,482
Transportation Equipment (company car)	165
	<u>\$ 44,215</u>

3. The Group's right-of-use assets increased to \$178,087 in 2019.
4. The profit and loss item related to the lease contract is as follows:

	2019
<u>Items affecting current profit and loss</u>	
Interest expense on lease liability	\$ 3,048
Cost that are short-term lease contract	1,575

5. The Group's lease cash outflow totaled \$75,531 in 2019.

(9) Other Current Assets and Other Non-Current Assets

Item	December 31, 2019	December 31, 2018
<u>Current:</u>		
Restricted bank deposit	\$ 19,805	\$ -
Time deposits	43,050	-
Others	35,145	18,734
Total	<u>\$ 98,000</u>	<u>\$ 18,734</u>
<u>Non-current:</u>		
Long-term prepaid rent	\$ -	\$ 415,897
Prepaid for equipment	57,686	52,090
Refundable deposits	4,821	5,294
Others	77,962	37,568
Total	<u>\$ 140,469</u>	<u>\$ 510,849</u>

1. The lease term of the land-use right contract signed by the Group is 35 to 50 years. It was paid in full at the time of the lease signing. The rent fee recognized in 2018 was \$6,474.
2. On December 31, 2019 and 2018, the group provides the guarantee for the other

non-current assets, please refer to Note 8.

(10) Short-Term Loans

Loan Type	December 31, 2019	Interest rate range	Collateral
Credit loans	<u>\$ 1,669,050</u>	0.73%~2.26%	Note
Loan Type	December 31, 2018	Interest rate range	Collateral
Credit loans	<u>\$ 1,077,264</u>	0.70%~2.93%	Note

Note: For the information on the security of property, plant and equipment provided by the Group, please refer to note 8.

(11) Other Payables

	December 31, 2019	December 31, 2018
Accrued salaries	\$ 493,937	\$ 449,902
Payables on equipment	270,888	267,378
Others	115,733	214,064
Total	<u>\$ 880,558</u>	<u>\$ 931,344</u>

(12) Corporate Bonds Payable

	December 31, 2019	December 31, 2018
Domestic third unsecured convertible corporate bonds	\$ -	\$ 237,600
Domestic fourth unsecured convertible corporate bonds	71,100	1,000,000
Less: discount on corporate bonds payable	(1,320)	(30,080)
Subtotal	69,780	1,207,520
Less: expiration within one year	-	(236,495)
Total	<u>\$ 69,780</u>	<u>\$ 971,025</u>

1. The third unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on March 8, 2016, are as follows:

(1) The conditions for issuing the third unsecured convertible corporate bonds of the Company are as follows:

A. With the approval of the competent authority, the Company raised and issued the 3rd unsecured convertible corporate bonds in Taiwan, totalling NT\$700,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from May 3, 2016 to May 3, 2019. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on May 3, 2016.

B. The convertible corporate bond holder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bond holder are the same as those of the original common stock.

C. The conversion price of the convertible corporate bond is set at NT\$58.5 per

share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method

- D. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
 - E. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months, When the balance of the convertible corporate bond is less than 10% of the total issued in the first 40 days before the expiration of the issuance period, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.
 - F. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.
- (2) The convertible corporate bond denomination \$684,700 has been converted to 12,852 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to NT\$49.8 per share in accordance with the provisions of the terms of issue.
 - (3) The third unsecured convertible corporate bonds in the Republic of China issued by the company expired on May 3, 2019, and the remaining 53 corporate bonds were repaid on May 10, 2019 at \$5,300.
 - (4) When issuing the convertible corporate bond, the Company will, in accordance with the international accounting standards No.32, separate the conversion rights of the rights and interests from the constituent elements of the liabilities, and account for the "capital accumulation rights and equity options". The other is the right to buy back and sell back, according to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economy characteristics and risk is not closely related, so it is separated and list as net account of "Financial asset or financial liability at fair value through profit or loss". The effective interest rate of the principal contract obligation after separation is 1.330%.
 - (5) On April 30, 2018 , some holders of corporate bonds executed the right to sell back, the Company bought back the bonds at \$10,100 based on the face value of the stock 101.0025% and recovered the loss of \$243.
2. The fourth unsecured convertible corporate bonds in the Republic of China, issued by

the Board of Directors of the Company on August 6, 2018, are as follows:

- (1) The conditions for issuing the fourth unsecured convertible corporate bonds of the Company are as follows:
 - A. With the approval of the competent authority, the Company raised and issued the 4th unsecured convertible corporate bonds in Taiwan, totalling NT\$1,000,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from October 2, 2018 to October 2, 2021. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on October 2, 2018.
 - B. The convertible corporate bond holder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bond holder are the same as those of the original common stock.
 - C. The conversion price of the convertible corporate bond is set at NT\$54.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.
 - D. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
 - E. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months, When the balance of the convertible corporate bond is less than 10% of the total issued in the first 40 days before the expiration of the issuance period, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.
 - F. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.
- (2) As of December 31, 2019, the convertible corporate bond denomination \$928,900 has been converted to 17,818 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to NT\$51.3 per share in accordance with the

provisions of the terms of issue.

- (3) When issuing the convertible corporate bond, the Company will, in accordance with the international accounting standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the "capital surplus- stock warrants ". The balance on December 31, 2019 is \$2,110. The other is the right to buy back and sell back, according to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economy characteristics and risk is not closely related, so it is separated and list as net account of "Financial asset or financial liability at fair value through profit or loss". The effective interest rate of the principal contract obligation after separation is 1.066%.

(13) Long Term Loans

There are no long-term loans on December 31, 2019 in the Group.

Loan Type	Loan period and repayment method	Interest rate range	Collateral	December 31, 2018
Long-term bank loans				
Credit loans	From August 3, 2018 to August 3, 2020, with monthly interest payment, the principal can be paid at any time.	0.9378%	None	<u>\$ 10,000</u>

(14) Other Current Liabilities and Other Non-Current Liabilities

Item	December 31, 2019	December 31, 2018
Current:		
Corporate bonds payable	\$ -	\$ 236,495
Other current liabilities - Other	12,446	13,663
Total	<u>\$ 12,446</u>	<u>\$ 250,158</u>
Non-current:		
Deferred government grant income	\$ 122,016	\$ 129,924
Other non-current liabilities - Other	90,326	94,080
Total	<u>\$ 212,342</u>	<u>\$ 224,004</u>

(15) Pension

- Since July 1, 2005, the Group's subsidiary Capital Concord Enterprises (H.K.) Taiwan Branch and Laya Max Trading have set up a defined retirement scheme according to the "Labor Pension Act", which is applicable to employees of this nationality. The Group has paid the labor pension to 6% of the monthly salary of the labor pension system applicable to the employee's choice of the "Labor Pension Act", the personal accounts of the labor insurance bureau and the payment of employees' pensions are collected on the basis of the pensions of employees' personal pensions and the amount of accumulated income or by a pensions. For the 2019 and 2018, the above-mentioned pension measures of the Group recognized under pension were \$5,788 and \$5,018, respectively.
- The Group's second-tier subsidiary in China in accordance with the regulations of the People's Republic of China government pension system(on May 1, 2019, the rate of

pension insurance in all provinces and cities in China was reduced to 16%), based on a monthly 16% to 20% of the total local staff salaries set aside pension (Sunny Footwear and Fujian Sunshine Footwear are 16% to 18%; Hubei Sunsmile Footwear are 16% to 19%; Fujian Laya Outdoor Products and Fujian La Sportiva are 16% to 20%). Each employee's pension arrangements for co-ordination by the government, and the Group has a monthly contribution, but no further obligation. For the 2019 and 2018 of the Group's second-tier subsidiary in China in accordance with the above-mentioned pension measures recognized under pension were \$64,520 and \$65,893,

3. The Group's subsidiary Fulgent Sun Footwear (Vietnam) and NGOC HUNG Footwear (Vietnam) are subject to the relevant local regulations, according to the local government regulations; the pension fund for employees' retirement pension is payable on a monthly basis at a certain percentage of the total wage and paid to the relevant competent authorities. The Group has no further obligation except monthly payment. For the 2019 and 2018, the above-mentioned pension measures of the Group recognized under pension were \$99,022 and \$81,137, respectively.

(16) Share Capital

1. On August 6, 2018, the Company adopted a cash capital increase plan by the Board of Directors, which issued 6,000 thousands common stock with cash capital increase and declared to the FSC on September 7, 2018; the issue price was \$38.5 per share, the base date of capital increase was January 11, 2019, and the amount raised was \$231,000. The shares were respectively charged \$65,886 and \$165,114 in December 2018 and January 2019.
2. On December 31, 2019, the Company's rated capital was \$2,000,000, divided into 200 million shares, the paid in capital was \$1,747,566, the denomination of \$10 per share.

The adjustment made to the Company's outstanding common stock shares at the beginning and end of the period is as follows:

	Unit: Thousand Shares	
	2019	2018
January 1	146,274	146,197
Capital increase by cash	6,000	-
Convertible corporate bonds execution conversion	22,483	77
December 31	<u>174,757</u>	<u>146,274</u>

(17) Capital Surplus

1. According to the Company Act, the excess of the income from the issuance of shares in excess of the coupon amount and the capital surplus of the received gift shall, in addition to being used to make up for the loss, be issued to new shares or cash in proportion to the original shares of the shareholders when the Company has no accumulated losses. In accordance with the relevant provisions of the Securities Exchange Act, each of the above open capital surplus is limited to 10% of the total amount of capital collected. If the Company is not in surplus reserve to fill the capital loss is still insufficient, it should not be supplemented by capital surplus.

2. The changes in capital surplus are as follows:

	2019			
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 3,330,877	45,886	\$ 357	\$ 3,377,120
Capital increase by cash	176,158	(7,731)	-	168,427
Convertible corporate bonds to convert common stocks	949,981	(35,856)	-	914,125
Reversal of stock warrants invalidation	-	(189)	189	-
December 31	<u>\$ 4,457,016</u>	<u>\$ 2,110</u>	<u>\$ 546</u>	<u>\$ 4,459,672</u>

	2018			
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 3,327,460	\$ 8,985	\$ -	\$ 3,336,445
Capital increase by cash	-	7,731	-	7,731
Convertible corporate bonds to convert common stocks	3,417	(147)	-	3,270
Recognized equity components due to the issuance of convertible corporate bonds – arising from stock option	-	29,674	-	29,674
Reversal of stock warrants invalidation	-	(357)	357	-
December 31	<u>\$ 3,330,877</u>	<u>\$ 45,886</u>	<u>\$ 357</u>	<u>\$ 3,377,120</u>

(18) Retained Earnings

- In accordance with the provisions of the Articles of Incorporation, the Company may, in accordance with the resolution of the Board of Directors, and by resolution of the shareholders' meeting to pass the earnings distribution case, the Company shall (1) first make up the loss over the years, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the company's paid-in capital; (2) to set aside a special capital reserve in accordance with the rules of the public offering company or at the request of the competent authority; (3) to make an employee dividend not exceeding 3% of the remaining earnings as a director and 3% of the remaining profits as employees of the Company and its subsidiaries.
- When the Company's earnings is allocated, the dividend assigned to the shareholder shall not be less than the balance of the remaining earnings deduction of 20% of the preceding (1) (2), wherein the cash dividend issued shall not be less than 20% of the dividend.
- In accordance with the provisions of the company's Articles of Incorporation, the Company shall not issue dividends or assign dividends or other assignments in respect of the realized or unrealized benefits of the Company, the premium account for the issuance of shares or other payments permitted by the Cayman Company ACT, provided that the legal capital reserve is more than 25% of the amount of capital paid, Only the legal capital reserve shall be accumulated as the above allocation and shall be limited to the portion of the accumulated capital in excess of 25% of the amount received.
- (1) When the Company assigns an earnings, it shall make a special capital reserve

accumulated in respect of the debit balance of other equity items on the balance sheet date in accordance with the provisions of the laws, and when the debit balance of subsequent other equity items rotates, the rotating amount may be included in the earnings available for allocation.

- (2) When IFRSs was first used, the special capital reserve listed in letter No. 1010012865 issued by FSC on April 6, 2012 was reversed when the Company subsequently used, disposed of or reclassified the related assets.
5. On June 12, 2019, the Company passed the 2018 earnings distribution case by resolution of the Board of Directors and on June 8, 2018 by the shareholders' meeting resolution through the 2017 earnings distribution cases are as follows:

	2018		2017	
	Amount	Dividends per share (\$)	Amount	Dividends per share (\$)
Legal capital reserve	\$ 74,300		\$ 80,311	
Special capital reserve	(25,593)		201,766	
Cash dividends	588,178	\$ 3.68	599,554	\$ 4.1
Total	<u>\$ 636,885</u>		<u>\$ 881,631</u>	

6. The Board of Directors proposed in their meeting on March 9, 2020 to appropriate the 2019 earnings as follows:

	2019	
	Amount	Dividends per share (\$)
Legal capital reserve	\$ 127,920	
Special capital reserve	262,634	
Cash dividends	963,059	\$ 5.5
Total	<u>\$ 1,353,613</u>	

In accordance with the 1010012865 letter of FSC issued on April 6, 2012, the amount of other shareholders' rights and interests should be deducted from the earnings allocation. The special capital reserve of the same amount of profits and losses from the current profits and losses should not be allocated. However, when the Company has applied for IFRSs for the first time, a special capital reserve should be specified, and a special capital reserve should be added to the difference between the proposed amount and the net loss of other rights and interests.

The above of the earnings distribution and dividends per share in 2018 and 2017, due to the conversion of the convertible corporate bonds and purchase of the treasury stocks, it hasn't been transferred to the employees, and the employees who originally had been allocated the restricted stocks didn't meet the conditions and being cancelled the rights. The Board of Directors' meeting on June 12, 2019 and June 8, 2018 resolved to authorize the Chairman's decisions to adjust the shareholder cash dividend of \$3.63 and \$4.11, respectively

The proposal for the appropriation of 2019 earnings had not been resolved by the shareholders' meeting as of March 9, 2020. The shareholder's cash dividend of \$5.5 per share is proposed to be passed in the shareholders meeting. Before the base date of the dividend distribution, if the number of outstanding stock shares is affected by the conversion of convertible corporate bonds, the distribution of restrictive shares, and other factors, resulting in a change in shareholder dividends with amendments needed, the shareholders meeting is suggested to authorize the board of directors, and then the board of directors shall authorize the chairman as authorized to act according

to the resolutions of the board of directors.

For enquiries through the proposed and shareholders' meeting resolution earnings allocation situation of the Board of Directors of the Company, please refer to the "MOPS" of the Taiwan Stock Exchange.

7. For the information on staff bonus and director's remuneration, please refer to Note 6(21).

Operating Revenue

	<u>2019</u>	<u>2018</u>
Revenue from Contracts with Customers	<u>\$ 12,842,525</u>	<u>\$ 10,070,151</u>

1. Breakdown of Customer Contract Income

The income of the group originates from the transfer of goods at a certain point, the income can be broken down according to the type of business, for relevant disclosed information, please refer to Note 14(2).

2. Contract liability

The contract liabilities related to client contract income the Group recognizes are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liability			
- Quantity discount	\$ -	\$ -	\$ 319
- Advance sales receipts	28,538	27,619	14,247
Total	<u>\$ 28,538</u>	<u>\$ 27,619</u>	<u>\$ 14,566</u>

Contract liability opening recognized income in current period

	<u>2019</u>	<u>2018</u>
Contract liability opening balance recognized		
income in current period – collections	<u>\$ 27,619</u>	<u>\$ 14,247</u>

(19) Other Income

	<u>2019</u>	<u>2018</u>
Interest income:		
Interest on bank deposits	\$ 10,529	\$ 11,187
Government subsidy income	21,057	11,717
Other income - Other	41,979	34,188
	<u>\$ 73,565</u>	<u>\$ 57,092</u>

(20) Other Gains and Losses

	<u>2019</u>	<u>2018</u>
Disposal of property, plant and equipment losses	(\$ 8,861)	(\$ 40,867)
Foreign exchange loss	29,200	115,884
Gain(Loss) on financial assets and liabilities measured at fair value through profit and loss	8,871	(2,701)
Other losses	(12,801)	(11,076)
	<u>\$ 16,409</u>	<u>\$ 61,240</u>

(21) Finance Costs

	<u>2019</u>	<u>2018</u>
Bank borrowing	\$ 24,646	\$ 17,173
Convertible corporate bonds	7,086	5,725
Lease liabilities	3,048	-
	<u>\$ 34,780</u>	<u>\$ 22,898</u>

(22) Expenses Expressed by Nature

	<u>2019</u>	<u>2018</u>
Employee benefits		
Salary	\$ 3,741,322	\$ 3,197,368
Labor and health insurance	117,250	106,169
Pension	169,330	152,048
Others	71,280	61,023
	<u>4,099,182</u>	<u>3,516,608</u>
Depreciation	616,174	518,911
Amortization	39,051	29,872
	<u>\$ 4,754,407</u>	<u>\$ 4,065,391</u>

1. According to Articles of Incorporation, the Company is required to allocate a surplus not exceeding 3% of the remaining surplus as the remuneration of the directors and 3% of the remaining profits as employee dividends for the employees of the Company and its subsidiaries.
- 2 The employee bonus estimates of the Company in 2019 and 2018 were \$10,000; Directors remuneration estimates were \$10,000, and the preceding amounts account for operating expenses. The above-mentioned employee bonus and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as the net profit after the current period after consideration of the legal capital reserve accumulation.

The employees' bonus and directors' remuneration of 2018 approved by the Board of Directors are consistent with the financial statements of 2018.

Information on employee bonuses and directors' remuneration approved by the Board of Directors can be reached at MOPS.

Income Tax

1. Income tax expense

(1) Income tax component:

	<u>2019</u>	<u>2018</u>
Current income tax:		
Income tax on current income	\$ 231,683	\$ 208,723
Additional surtax on undistributed earnings	-	57
Overestimated income tax in prior periods	(1,773)	(2,344)
Total current income tax	<u>229,910</u>	<u>206,436</u>
Deferred income tax:		
The primitive generation and turn of temporary differences	5,748	(13,438)
The impact of tax rate change	-	(462)
Total deferred income tax	<u>5,748</u>	<u>(13,900)</u>
Income tax expenses	<u>\$ 235,658</u>	<u>\$ 192,536</u>

(2) Relationship between income tax expenses and accounting profits:

	<u>2019</u>	<u>2018</u>
Income tax calculated on net income before tax at the statutory tax rate (Note)	\$ 431,146	\$ 288,771
Income tax effect of the projects deleted according to laws and regulations	17,719	2,116
Tax-free income by Income Tax Law	(209,512)	(90,198)
Overestimated income tax in prior periods	(1,773)	(2,344)
Income tax effect of unrecognized deferred income tax assets and liabilities	(1,922)	(5,404)
Additional surtax on undistributed retained earnings	-	57
The impact of tax rate change	-	(462)
Income tax expenses	<u>\$ 235,658</u>	<u>\$ 192,536</u>

Note: Regarding the basis of the applicable tax rate, it is to be calculated based on the applicable tax rate of the country where the income is generated.

2. The amount of deferred income tax assets or liabilities arising from temporary differences and tax losses is as follows:

	2019		
	January 1	Recognized in profit and loss (Note)	December 31
Temporary difference:			
- Deferred income tax assets			
Allowance for inventory devaluation and obsolescence	\$ 15,045	(\$ 2,250)	\$ 12,795
Loss deduction	9,312	(6,315)	2,997
Deferred income after tax	30,286	(3,098)	27,188
Others	5,089	6,951	12,040
Subtotal	<u>\$ 59,732</u>	<u>(\$ 4,712)</u>	<u>\$ 55,020</u>
- Deferred income tax liabilities			
Others	(\$ 945)	(\$ 1,036)	(\$ 1,981)
Subtotal	<u>(\$ 945)</u>	<u>(\$ 1,036)</u>	<u>(\$ 1,981)</u>
	2018		
	January 1	Recognized in profit and loss (Note)	December 31
Temporary difference:			
- Deferred income tax assets			
Allowance for inventory devaluation and obsolescence	\$ 12,921	\$ 2,124	\$ 15,045
Loss deduction	12,954	(3,642)	9,312
Deferred income after tax	29,904	382	30,286
Others	5,444	(355)	5,089
Subtotal	<u>\$ 61,223</u>	<u>(\$ 1,491)</u>	<u>\$ 59,732</u>
- Deferred income tax liabilities			
Foreign long-term investment income	(\$ 15,255)	\$ 15,255	\$ -
Unrealized gross profit	(67)	67	-
Others	(1,014)	69	(945)
Subtotal	<u>(\$ 16,336)</u>	<u>\$ 15,391</u>	<u>(\$ 945)</u>

Note: It includes the effect of changes in tax rates.

3. The Company did not recognize deferred income tax liabilities for taxable temporary differences related to the investment of certain subsidiaries. The temporary difference of unrecognized deferred income tax liabilities as of December 31, 2019 and 2018 was NT\$2,404,033 and NT\$1,412,598, respectively.
4. Subsidiary-Capital Concord (H.K.) Taiwan Branch and Second-tier Subsidiary-Laya Max Trading Co., Ltd. for profit income tax settlement declaration, have been approved by the taxes reprioritizing authority to 2017.
5. The amendment to the Taiwan Income Tax law came into effect on February 7, 2018, and the tax rate on profit-making business income increased from 17% to 20%; this amendment has been available since 2018. The group has assessed the relevant income tax implications for this change in tax rates.

(23) Earnings Per Share (NT\$)

	2019		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	<u>\$ 1,279,195</u>	<u>163,819</u>	<u>\$ 7.81</u>

	2019	2018	2017
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	1,279,195	163,819	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	7,086	12,077	
Employee bonus	-	144	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	<u>\$ 1,286,281</u>	<u>176,040</u>	<u>\$ 7.31</u>
		2018	
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	<u>\$ 743,001</u>	<u>145,787</u>	<u>\$ 5.10</u>
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	743,001	145,787	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	5,725	9,392	
Employee bonus	-	265	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	<u>\$ 748,726</u>	<u>155,444</u>	<u>\$ 4.82</u>

(24) Operating Lease

Applicable in 2018

The lease agreement signed by the subsidiary of the Group is estimated according to the lease; the total amount payable in the future is as follows:

	<u>December 31, 2018</u>
Less than 1 year	\$ 25,939
More than 1 year but less than 5 years	91,267
More than 5 years	135,785
	<u>\$ 252,991</u>

(25) Supplementary Information on Cash Flow

1. Investing activities with partial cash payments:

	<u>2019</u>	<u>2018</u>
Additions to property, plant and equipment	\$ 1,504,767	\$ 1,101,507
Less: Prepayments for equipment at the beginning of the period	(52,090)	(38,530)
Add: Prepayments for equipment at the end of the period	57,686	52,090
Add: Payables for equipment at the beginning of the period	267,378	117,696
Less: Payables for equipment at the end of the period	(270,888)	(267,378)
Cash paid in the period	<u>\$ 1,506,853</u>	<u>\$ 965,385</u>

2. Financing activities that do not affect cash flow:

	2019	2018
Share capital converted from convertible corporate bonds	\$ 224,831	\$ 762

(26) Changes in Liabilities Arising from Financing Activities

	Long and short term loans and short-term notes	Lease liabilities	Convertible corporate bonds (note)	Total liabilities from financing activities
January 1, 2019	\$ 1,087,264	\$ -	\$ 1,207,520	\$ 2,294,784
First application of IFRS impact	-	235,140	-	235,140
Changes in cash flows from financing	608,837	(50,729)	(5,300)	552,808
Other non-cash flows	-	181,135	(1,132,440)	(951,305)
Effects of exchange rate changes	(27,051)	(3,285)	-	(30,336)
December 31, 2019	<u>\$ 1,669,050</u>	<u>\$ 362,261</u>	<u>\$ 69,780</u>	<u>\$ 2,101,091</u>

	Long and short term loans and short-term notes	Convertible corporate bonds (note)	Total liabilities from financing activities
January 1, 2018	\$ 961,857	\$ 247,222	\$ 1,209,079
Changes in cash flows from financing	94,279	996,135	1,090,414
Other non-cash flows	-	(35,837)	(35,837)
Effects of exchange rate changes	31,128	-	31,128
December 31, 2018	<u>\$ 1,087,264</u>	<u>\$ 1,207,520</u>	<u>\$ 2,294,784</u>

Note : including portion due within one year

7. Related-Party Transactions

Key Management Compensation

	2019	2018
Short-term employee benefits	\$ 68,427	\$ 70,675
Share-based payment	-	6,299
Total	<u>\$ 68,427</u>	<u>\$ 76,974</u>

8. Pledged Assets

<u>Assets</u>	<u>Carrying amounts</u>		<u>Guarantee use</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Land	\$ 107,181	\$ 109,809	Short-term loans
Buildings	166,612	175,252	Short-term loans
Other financial assets (listed other current assets and other non-current assets)	20,208	412	Performance bond for power supply contract
Refundable deposits (listed other non-current assets)	4,821	5,294	Deposits for leased land and other
	<u>\$ 298,822</u>	<u>\$ 290,767</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Commitments

1. Capital expenditure contracted but not yet incurred:

	<u>Contract Price</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 991,045</u>	<u>\$ 939,180</u>

	<u>Unpaid Price</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 451,630</u>	<u>\$ 560,348</u>

2. Outstanding letter of credit amount:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Outstanding letter of credit	<u>\$ 16,548</u>	<u>\$ -</u>

3. For operating lease agreements, please refer to Note 6(24).

10. Significant Disaster Losses

None.

11. Significant Events After The Reporting Period

None.

12. Others

(1) Capital Management

Based on the characteristics of the current industry and the future development of the

Company, and considering factors such as changes in the external environment, the Group plans for the working capital, research and development cost, and dividend expenditure needed in the future to ensure that the Group can continue to operate, provide feedback to shareholders, take into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholders' value in the long run. In order to maintain or adjust the capital structure, the Group may adjust the dividend amount paid to shareholders, issue new shares, return cash to shareholders, or buy back shares of the Group.

The Group monitors funds by reviewing the asset-liability ratio periodically. The Group's capital is the "total equity" shown in the balance sheet, which is also equal to the "total assets less the total liabilities." The Group's asset-liability ratio as of December 31, 2019 and 2018 is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	\$ 4,715,457	\$ 4,586,052
Total assets	\$ 12,989,167	\$ 11,123,668
Debt ratio	<u>36.30%</u>	<u>41.23%</u>

(2) Financial Instruments

1. Categories of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial Assets</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 4,654	\$ 1,854
Financial assets/loans and receivables measured at amortized cost		
Cash and cash equivalents	\$ 1,373,474	\$ 1,313,073
Accounts receivable	2,329,423	2,140,291
Other receivables	222,416	190,803
Other financial assets- Current	62,855	-
Refundable deposits	4,821	5,294
Other financial assets- Non-current	403	412
	<u>\$ 3,993,392</u>	<u>\$ 3,649,873</u>
<u>Financial Liabilities</u>		
Financial liabilities at fair value through profit and loss		
Financial liabilities mandatorily measured at fair value through profit or loss	\$ -	\$ 5,500
Financial liabilities measured at amortized cost		
Short-term loans	\$ 1,669,050	\$ 1,077,264
Accounts payable	1,393,220	1,010,680
Other payables	880,558	931,344
Corporate bonds payable (including maturity within one year or one operating cycle)	69,780	1,207,520
Long-term borrowings (including maturity within one year or one operating cycle)	-	10,000
	<u>\$ 4,012,608</u>	<u>\$ 4,236,808</u>
Lease liabilities (current and non-current)	<u>\$ 362,261</u>	<u>\$ -</u>

2. Risk Management Policy

- (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, so as 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 implementation of 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 USD 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, 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, 2019

(Foreign currency: functional currency)	Sensitivity Analysis					
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD: RMB	\$ 11,256	6.9640	\$ 337,460	5%	\$ 16,873	\$ -
RMB: USD	55,123	0.1436	237,303	5%	11,865	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD: RMB	\$ 1,461	6.9640	\$ 43,803	5%	\$ 2,190	\$ -
NTD: USD	1,055,417	0.0334	1,055,417	5%	52,771	-

December 31, 2018

(Foreign currency: functional currency)	Sensitivity Analysis					
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD: RMB	\$ 6,431	6.8683	\$ 197,814	5%	\$ 9,891	\$ -
RMB: USD	27,999	0.1456	125,210	5%	6,261	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD: RMB	\$ 2,988	6.8683	\$ 91,925	5%	\$ 4,596	\$ -
NTD: USD	912,348	0.0326	912,348	5%	45,617	-

- D. The Group's monetary items have a significant influence on the recognized exchange gains and losses for 2019 and 2018 due to exchange rate fluctuation (including realized and unrealized), the aggregate amount is gain of \$29,200 and \$115,884, respectively.

Price Risk

- A. The Group's equity instruments exposed to price risk are financial assets held at fair value through profit and loss. To manage the price risk of investment in equity instruments, the Group diversified its portfolio with its diversification method based on the 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 2019 and 2018 would increase or decrease by \$231 and \$93 from equity instruments mandatorily measured at fair value through profit or loss, respectively.

Cash Flow and Fair Value Interest Rate Risk

- A. The Group's interest rate risk arises primarily from the short-term and long-term borrowings issued at floating rates, which expose the Group to the cash flow interest rate risk. In 2019 and 2018, the Group's borrowings issued at floating rate are mainly denominated in NTD and USD.
- B. The Group's borrowings are measured at amortized cost and re-priced based on the contractual interest rates, which expose the Group to the risk of changes in future market interest rates.
- C. If the loan interest rate has been increased or decreased by 0.1%, and all other variables were held constant, the profit after tax from for 2019 and 2018 will be decreased or increased by \$1,334 and \$866 respectively, due to the changes in interest costs caused by the floating-rate 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 account receivable on payment terms.
- 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. The internal risk control evaluated by considering its financial situation, past experience and other factors assess the credit quality of customers. The limits of 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 main credit risks come from cash and cash equivalents, derivative financial instruments, 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 good credit ratings will be accepted as trading partners.
- C. The Group adopts the IFRS 9 to provide the following assumptions whether the credit risk of financial instruments has increased significantly since their initial recognition:
When the contract payments are overdue more than 30 days according to the agreed payment terms, the credit risk is increased significantly since the

financial assets are initially recognized.

- D. When the investment target for the independent credit rating has been lower for two grades, the Group has determined that the credit risk of the investment target is increased significantly.
- E. Based on the internally specified accounting policies of the Group, it is deemed as a breach of contract 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 recourse procedures, 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 recourse for December 31, 2019 and 2018.
- H. The Group adjusted the loss rate established on the history of certain period and current information for perspective consideration to estimate the loss allowance for account receivable. The reserve matrix for December 31, 2019 and 2018 was as follows:

December 31, 2019	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 2,265,039	\$ -
Overdue 0 to 90 days	1.05%	63,904	674
Overdue 91 to 180 days	15.01%	553	83
Overdue 181 to 365 days	62.11%	1,805	1,121
Over 365 days past due	100.00%	6,837	6,837
Total		\$ 2,338,138	\$ 8,715

December 31, 2018	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 2,030,828	\$ -
Overdue 0 to 90 days	1.12%	110,491	1,237
Overdue 91 to 180 days	25.90%	139	36
Overdue 181 to 365 days	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:

	2019
	Accounts receivable
January 1	\$ 3,630
Allowance for Impairment loss	5,383
Effect of exchange rate changes	(298)
December 31	\$ 8,715

	2018
	<u>Accounts receivable</u>
January 1	\$ 2,749
Allowance for Impairment loss	802
Effect of exchange rate changes	79
December 31	<u>\$ 3,630</u>

(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. As of December 31 2019 and 2018, the Group has unused borrowing facilities of \$3,218,810 and \$2,332,099, respectively.
- D. The following table is the Group's non-derivative financial liabilities, classified according to the relevant maturity date; the non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date; the derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date; the amounts of contractual cash flows disclosed in the following table are the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2019	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Short-term loans	\$1,657,315	\$ 30,288	\$ -	\$ -	\$ -
Accounts payable	1,393,220	-	-	-	-
Other payables	858,145	22,413	-	-	-
Corporate bonds payable	-	-	71,100	-	-
Lease liabilities	19,979	12,481	28,410	64,887	263,826

Non-derivative financial liabilities:

December 31, 2018	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	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	-	-

Derivative financial liabilities:

December 31, 2018	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Financial liabilities at fair value through profit and loss	\$ -	\$ -	\$ -	\$ 5,500	\$ -

(3) Fair Value Information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

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: Direct or indirect observable input value of assets or liabilities, except for quotations in Level 1. The fair value of derivatives invested by the Group is at this level.

Level 3: Unobservable inputs value of assets or liabilities. Convertible corporate bonds invested by the Group are included in Level 3.

2. Financial Instruments not Measured at Fair Value

(1) The carrying value of the cash and cash equivalents, notes receivable, account receivable, other receivables, short-term loans, notes payable, account payable and other payable is a 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 operating cycle) is close to the market interest rate, therefore, the carrying amount should be a reasonable basis for estimating fair value:

	<u>December 31, 2019</u>	
	<u>Carrying amount</u>	<u>Fair Value Level 3</u>
Corporate bonds payable	<u>\$ 69,780</u>	<u>\$ 70,087</u>

	<u>December 31, 2018</u>	
	<u>Carrying amount</u>	<u>Fair Value Level 3</u>
Corporate bonds payable	<u>\$ 1,207,520</u>	<u>\$ 1,210,950</u>

(2) The methods and assumptions used to estimate fair value 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, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock \$	4,626	\$ -	\$ -	\$ 4,626
- Redemption right of convertible corporate bonds	-	-	28	28
Total	<u>\$ 4,626</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 4,654</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial				
Asset(Liability) at Fair Value through Profit or Loss				
- Listed company stock \$	1,854	\$ -	\$ -	\$ 1,854
- Redemption right of convertible corporate bonds	-	-	(5,500)	(5,500)
Total	<u>\$ 1,854</u>	<u>\$ -</u>	<u>(\$ 5,500)</u>	<u>(\$ 3,646)</u>

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

- (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 evaluated based on the current forward exchange rate.
- (3) The cash flow expected to be received by the corporate bonds payable according to the underlying assets are measured by the discounted present value of the market interest rate at the balance sheet date.

5. Between 2019 and 2018 there was no transfer between Level 1 and Level 2.

6. The following table shows the changes in 2019 and 2018 for Level 3:

	<u>2019</u>	<u>2018</u>
	<u>Non-derivative equity instruments</u>	<u>Non-derivative equity instruments</u>
January 1	(\$ 5,500)	\$ 327
Gain or loss on the recognized profit or loss (Note)	6,099	(815)
Current conversion	(571)	(12)
The current issuance	-	(5,000)
December 31	<u>\$ 28</u>	<u>(\$ 5,500)</u>

Note: Recognized in other gains and losses.

7. Evaluation 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 through 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, 2019	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	\$ 28	Binomial Tree Evaluation Model	Volatility	33.34%	The higher the volatility, the higher the fair value
	Fair value as of December 31, 2018	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	(\$ 5,500)	Binomial Tree Evaluation Model	Volatility	24.23%	The higher the volatility, the higher the fair value

9. The evaluation models and parameters chosen by the Group after careful evaluation may lead to different results when different evaluation models or parameters are used. For financial assets and liabilities classified as the level 3, if the evaluation parameters change, the impact on current profits and losses is as follows:

				December 31, 2019	
				Recognized in Profit or Loss	
		Input value	Change	Favorable change	Unfavorable change
Financial Liabilities					
Hybrid instruments	Volatility		±5%	\$ 21	(\$ 21)
				December 31, 2018	
				Recognized in Profit or Loss	
		Input value	Change	Favorable change	Unfavorable change
Financial Liabilities					
Hybrid instruments	Volatility		±5%	\$ 600	(\$ 900)

13. Supplementary Disclosures

(1) Information on Significant Transactions

1. Capital loans to others: Please refer to Appendix Table 1.
2. Endorsements and guarantees: Please refer to Appendix Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Appendix Table 3.
4. Acquisition or sale of the same securities with the accumulated cost reaching \$300 million or 20% of paid-in capital or more: None
5. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
7. Purchases from and sales to related parties reaching \$100 million or 20% of paid-in capital: Please refer to Appendix Table 4.
8. Receivable from related parties reaching \$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).
10. Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Appendix Table 6.

(2) Information of Business Re-invested

Name, Location, and Information on Investee Companies (not Including Investee Companies in China): Please refer to Appendix Table 7.

(3) Information on Investment in 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)

14. Operating Segment Information

(1) 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.

(2) Department Information

1. The financial information of reportable segments provided to chief operating decision maker is as follows:

	2019			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 12,796,483	\$ 44,631	\$ 1,411	\$ 12,842,525
Inter-segment revenue	9,279,799	1,311,740	1,349	10,592,888
Total revenue	<u>\$ 22,076,282</u>	<u>\$ 1,356,371</u>	<u>\$ 2,760</u>	<u>\$ 23,435,413</u>
Segment profit (loss)	<u>\$ 1,446,400</u>	<u>\$ 90,581</u>	<u>\$ 1,268,920</u>	<u>\$ 2,805,901</u>
Segment total assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Segment total liabilities (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2018			
	Production and sales 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	<u>\$ 17,836,971</u>	<u>\$ 835,015</u>	<u>\$ 3,058</u>	<u>\$ 18,675,044</u>
Segment profit (loss)	<u>\$ 1,459,715</u>	<u>\$ 49,911</u>	<u>\$ 686,029</u>	<u>\$ 2,195,655</u>
Segment total assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Segment total liabilities (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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

- The impact of the Group's adopting IFRS 16 "Leases" on the department information in 2019 is as follows:

	Production and sales of shoes	Retail business	Other businesses	Total
Increase in depreciation expense	<u>\$ 44,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,215</u>
Increase in department assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Increase in department liabilities (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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

(3) Reconciliation of Segment Revenue and Profit or Loss

- The total adjusted income for the current period is reconciled with the total income of the continuing business sector as follows:

	2019	2018
Revenue after adjustment from reportable operating segments	\$ 23,432,653	\$ 18,671,986
Revenue after adjustment from other operating segments	2,760	3,058
Total income before tax from operating segments	23,435,413	18,675,044
Elimination of intersegment revenue	(10,592,888)	(8,604,893)
Total consolidated operating revenue	<u>\$ 12,842,525</u>	<u>\$ 10,070,151</u>

2. Net operating profit after adjustment in the period and income before tax from continuing operations are adjusted below:

	2019	2018
Revenue after adjustment from reportable operating segments	\$ 1,536,981	1,509,626
Revenue after adjustment from other operating segments	<u>1,268,920</u>	<u>686,029</u>
Total income before tax from operating segments	2,805,901	2,195,655
Elimination of intersegment revenue	(<u>1,293,732</u>)	(<u>1,265,833</u>)
Total consolidated operating revenue	<u>\$ 1,512,169</u>	<u>\$ 929,822</u>

(4) Product and Service Information

The principal business of the Company is the production and sales of sports and leisure outdoor shoes. Since the department's operating income, operating profit, and identifiable assets used accounted for more than 90% of total operating income, total operating profit, and total assets, it is classified as a single industry.

(5) Information by Areas

The Company's regional income is calculated based on the country of sale. Noncurrent assets are classified according to the country of origin, including property, plant and equipment, right-of-use assets, intangible assets, and other noncurrent assets, excluding financial instruments and deferred income tax assets.

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
United States	\$ 3,624,398	\$ -	\$ 2,470,219	\$ -
Germany	1,313,067	-	1,587,343	-
Belgium	1,135,526	-	603,740	-
Netherlands	894,897	-	347,229	-
Italy	880,056	-	894,463	-
China	729,760	1,590,732	755,426	1,767,858
Others	<u>4,264,821</u>	<u>5,069,244</u>	<u>3,411,731</u>	<u>3,690,230</u>
Total	<u>\$ 12,842,525</u>	<u>\$ 6,659,976</u>	<u>\$ 10,070,151</u>	<u>\$ 5,458,088</u>

Major Customer Information

The Company's important customer information in 2019 and 2018 is as follows:

2019		2018	
Revenue	Department	Revenue	Department
A \$2,125,398	Production and sales of shoes	D \$1,640,527	Production and sales of shoes
B 1,683,681	Production and sales of shoes	A 1,290,287	Production and sales of shoes
C 1,656,552	Production and sales of shoes	C 1,104,294	Production and sales of shoes
D <u>1,472,038</u>	Production and sales of shoes	E <u>1,003,473</u>	Production and sales of shoes
<u>\$6,937,669</u>		<u>\$5,038,581</u>	

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Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Loans to others
January 1 to December 31, 2019

Appendix Table 1

Unit NTD thousand

No. (Note 1)	Creditor	Borrower	General ledger account	<u>Related Party</u>	Maximum Balance for the period	Ending Balance (Note 4)	Amount Actually Drawn	Interest rate	Nature of loan	Transaction Amounts	Reason for short- term financing	Allowance for bad debt	<u>Collateral</u>		Financing Limits for each borrowing company (Note 2)	Financing company's total financing Amount Limits (Note 3)	Note	
													Item	Value				
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Y	\$ 465,910	\$446,635	\$446,635	1.80%	Short-term financing	\$ -	Operating capital	\$ -	-	None	\$ -	\$ 709,860	\$ 887,326	Notes 4 and 5

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

Note 3: Loaning funds to others, provided that such financing amount shall not exceed 50 percent of the lender's net worth.

Note 4: In Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, respectively.

Note 5: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
January 1 to December 31, 2019

Appendix Table 2

														Unit NTD thousand (Unless Otherwise Specified)		
				<u>Party being endorsed/guaranteed</u>						Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)						
No. (Note 1)	Endorser/ Guarantor	CompanyName	Relationship (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the period	Outstanding endorsement/ guarantee amount	Amount Actually Drawn	Amount of endorsements / guarantees secured with collateral		Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland	Note		
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiaries	\$ 4,969,384	\$ 79,000	\$ 74,950	\$ 29,980	\$ -	0.91%	\$ 6,625,846	Y	N	Y	Note 3		

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are 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 Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
December 31, 2019

Appendix Table 3

Securities Held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	At ending			Unit NTD thousand (Unless Otherwise Specified)	
				Number of Shares	Book value	Ratio of Shareholding	Fair value	Note
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN)	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	\$ 4,626	0.61	\$ 4,626	-

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
Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
January 1 to December 31, 2019

Appendix Table 4

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Transaction Details				Unusual trade conditions and its reasons (Note)	Credit term	Notes and Accounts Receivable (Payable)			Note	
			Purchase/Sale	Amount	Percentage of total purchases (sales)	Credit term			Unit Price	Balance	Percentage of total notes/accounts receivable (payable)		
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiaries	Purchase	\$ 2,481,157	0.24	180 days after purchase	Note 1	Note 1	(\$1,538,644)	(1.10)	Notes 2 and 3		
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiaries	Purchase	796,648	0.08	90 days after purchase	Note 1	Note 1	(301,693)	(0.22)	Notes 2 and 3		
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	Purchase	2,335,225	0.23	120 days after purchase	Note 1	Note 1	(137,837)	(0.10)	Notes 2 and 3		
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiaries	Purchase	534,904	0.05	180 days after purchase	Note 1	Note 1	(99,074)	(0.07)	Notes 2 and 3		
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiaries	Purchase	416,848	0.04	180 days after purchase	Note 1	Note 1	(301,707)	(0.22)	Notes 2 and 3		
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiaries	Purchase	1,463,569	0.14	120 days after billing	Note 1	Note 1	(36,424)	(0.03)	Notes 2 and 3		
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	Subsidiaries	Purchase	652,848	0.06	120 days after billing	Note 1	Note 1	(251,855)	(0.18)	Notes 2 and 3		
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	Sales	(741,275)	(0.06)	135 days after Sales	Note 1	Note 1	338,261	0.15	Notes 2 and 3		
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	Sales	(514,171)	(0.04)	135 days after Sales	Note 1	Note 1	129,394	0.06	Notes 2 and 3		
Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	Sales	(236,665)	(0.02)	135 days after Sales	Note 1	Note 1	79,836	0.03	Notes 2 and 3		
Fujian Sunshine Footwear Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	Sales	(100,693)	(0.01)	135 days after Sales	Note 1	Note 1	16,212	0.01	Notes 2 and 3		

Note 1: Sales transactions between the Group and related parties are valued 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 Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, 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
December 31, 2019

Appendix Table 5

(Unless Otherwise Specified)

Unit NTD thousand

Creditor	Name of the Counterparty	Relationship with the counterparty	Accounts receivable balance from related party	Turnover Rate	Overdue Receivable		Amount collected subsequent to the reporting period (Note 1)	Allowance for bad debt		Note
					Amount	Actions Taken				
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 1,538,644	1.65	\$ -	-	\$ 416,363	\$ -	-	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	301,707	1.43	-	-	98,835	-	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	446,635	-	-	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	301,693	3.26	-	-	195,669	-	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	251,855	3.47	-	-	149,570	-	-	Notes 2 and 3
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Capital Concord Enterprises Limited	Parent company	137,837	32.86	-	-	137,837	-	-	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	338,261	1.74	-	-	134,085	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	129,394	3.50	-	-	74,879	-	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to March 9, 2020.

Note 2: In Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, respectively.

Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof
January 1 to December 31, 2019

Appendix Table 6

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			Percentage of consolidated total operating revenues or total assets (Note 3)
				General Ledger Account	Amount (Note 5)	Trade terms	
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts receivable	\$ 338,261	Note 4	2.60%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	1,538,644	Note 4	11.84%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	301,707	Note 4	2.32%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	301,693	Note 4	2.32%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	741,275	Note 4	5.77%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	2,481,157	Note 4	19.32%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	534,904	Note 4	4.17%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	416,848	Note 4	3.25%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	796,648	Note 4	6.20%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	2,335,225	Note 4	18.18%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	446,635	Note 4	3.44%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	1,463,569	Note 4	11.40%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Purchase	652,848	Note 4	5.08%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Accounts payable	251,855	Note 4	1.94%
2	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	514,171	Note 4	4.00%
3	Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	236,665	Note 4	1.84%

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 Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, respectively.

Note 6: The disclosure standard is more than \$150 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, 2019

Appendix Table 7

Investor Company	Investee Company	Place of Registration	Main Businesses	Original Investment Amount (Note 2)		Shares Held as of year ended			Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3)	Note
				December 31, 2019	December 31, 2018	Number of Shares (Note 1)	Ratio	Book value (Note 3)			
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Production and sale of sports and outdoor shoes	\$ 5,307,307	\$ 5,060,747	1,385,900,000	100	\$ 8,282,307	\$ 1,278,263	\$ 1,278,263	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	1,518,038	1,518,038	-	100	2,112,577	555,914	555,914	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Cambodia	Processing and Sale of Clothing	427,675	427,675	-	91.27	208,908 (	10,942) (	9,987)	Subsidiaries
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,098,870	566,107	-	100	1,212,385	72,385	72,385	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,165,931	876,428	-	100	1,129,786	66,430	66,430	Subsidiaries
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	Holding company	40,449	24,731	10,618,000	100	37,491 (	2,705) (	2,705)	Subsidiaries
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution Agent and Import and Export Trade	12,395	12,395	-	100	16,488 (	500) (	1,044)	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	174,989	-	100	186,562	689	689	Subsidiaries

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 Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Subsidiaries Information on Investments in Mainland China
January 1 to December 31, 2019

Appendix Table 8

Unit NTD thousand
(Unless Otherwise Specified)

Investee Company in China	Main Businesses	Paid-in Capital (Note 3)	Investment Method (Note 2)	Accumulated Amount Remitted from Taiwan to Mainland China, as of beginning of period (Note 5)	Amount of investment remitted or recovered in current period (Note 5)		Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended (Note 5)	Net income (loss) of the investee in the current period	Ownership held by the Company	Investment income (loss) recognize in the current period (Note 4)	Book value of investments in Mainland China for the year ended (Note 4)	Accumulated amount of investment income remitted back to Taiwan for the year ended	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	\$ 723,826	2	\$ -	\$ -	\$ -	\$ -	\$ 190,042	100	189,655	\$ 2,108,069	\$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	94,935	100	95,104	1,766,190	-	
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	20,859	100	20,859	406,122	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution Agent and Import and Export Trade	40,656	2	-	-	-	-	73,819	100	59,015	212,859	-	
Fujian La Sportiva Co., Ltd.	Distribution Agent and Import and Export Trade	67,148	2	-	-	-	(4,324)	60 (	2,594)	36,762	-		

Note 1: Fujian Sunshine Footwear Co., Ltd. had merged Hang Cheng Company and Yue Chen Company with the approval of the local competent authority on May 17, 2011. The initial investment amount included the original investment of US\$4,000 thousand (equivalent to NT\$120,000 thousand) in Hang Cheng Company and Yue Chen Company.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Investment in Mainland China companies by remittance through a third region
- (2) Investment in Mainland China companies through a company invested and established in a third region
- (3) Investment in Mainland China companies through an existing company established in a third region

Note 3: The historical exchange rate was adopted.

Note 4: In Q4 2019, the exchange rates for assets and profit or loss were USD:NTD=29.98 and USD:NTD=30.911, 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 Annual Report: None.

7.Other Supplements

(1)Evaluation Basis and Ground for Balance Sheet Valuation Accounts

Item	Balance Sheet Valuation Account	Evaluation Basis	Evaluation Ground
1	Allowance loss	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	<p>1.Individual item (by customer) assessment: The objective evidence of derogation (as follows) is presented</p> <p>(1)There has been a significant financial difficulty by the debtor.</p> <p>(2)There has been a breach of contract by the debtor.</p> <p>(3)Deterioration of the debtor's repayment situation.</p> <p>(4)There is a high possibility that the debtor may fail or carry out financial restructuring.</p> <p>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.</p> <p>(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.</p> <p>(2)The above ratios are reassessed annually.</p>
2	Allowance for Inventory Obsolescence Loss	Age of inventory	<p>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.</p> <p>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.</p> <p>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.</p>
3	Allowance for Inventory Valuation Loss	Lower of cost or net realizable value	<p>1.Comparison basis: Inventories are compared item by item; however, similar or relevant items may be compared within the same type.</p> <p>2.Raw materials: The net realizable value is the unit price of latest purchase.</p> <p>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</p>

			<p>completion” and” the estimated costs” necessary to make the sale.</p> <p>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.</p> <p>5. Cost is evaluated by the weighted average method.</p>
4	Financial Assets and Liabilities	Fair value	<p>1. Financial assets measured at fair value through gains and losses: The shares of listed companies held by the Company are valued based on the closing price from securities trading; impairment on balance sheet date shall be evaluated according to Section 59 of IAS39.</p> <p>2. Derivatives: Derivatives are valued based on the fair value provided by the bank.</p> <p>3. Convertible corporate bonds: Convertible corporate bonds are valued 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.</p>

VII. Review of Financial Conditions, Operating Results, and Risk Management

1. Financial Conditions

Unit: NT\$1,000

Item	Year	2018	2019	Difference	
				Amount	%
Current Assets		5,603,994	6,269,517	665,523	11.88
Property, Plant and Equipment		4,930,269	5,727,356	797,087	16.17
Intangible Assets		16,970	16,242	(728)	(4.29)
Other Assets		572,435	976,052	403,617	70.51
Total Assets		11,123,668	12,989,167	1,865,499	16.77
Current Liabilities		3,374,578	4,098,166	723,588	21.44
Non-current Liabilities		1,211,474	617,291	(594,183)	(49.05)
Total Liabilities		4,586,052	4,715,457	129,405	2.82
Share Capital		1,528,621	1,747,566	218,945	14.32
Capital Surplus		3,377,120	4,459,672	1,082,552	32.06
Retained Earnings		2,014,140	2,705,157	691,017	34.31
Other Equity		(420,541)	(683,175)	(262,634)	(62.45)
Non-controlling Interests		38,276	44,490	6,214	16.23
Total Equity		6,537,616	8,273,710	1,736,094	26.56

(1) The above table is compiled based on the data of the Company's consolidated financial statements.

(2) Description of analysis on ratio change (change ratio for two periods exceeds 20% while the amount changed reaches NT\$10,000,000):

1. Other assets: an increase over 2019 due to the adoption of IFRS16 bulletin that increase the right-of-use asset.
2. Current liability: Short-term loan increases following the expansion of operational scale while increase of material inventory adds account payable.
3. Non-current liabilities: The decrease in non-current liabilities was mainly due to the third and fourth unsecured corporate bonds converted to ordinary shares, which reduces non-current liability.
4. Capital Surplus: The application for issuing cash offering and overspill in price for convertible corporate bonds.
5. Retained Earnings: The increase in customer order drives productivity efficiency to improve, resulting in substantial growth in revenue and profits.
6. Other Equity: Subject to the impact of fluctuation in exchange rate, the exchange difference for the financial statement of foreign operational institute changes.
7. Total Equity: Corporate bonds subsequently convert to ordinary shares increased the share capital and capital surplus for corporate bonds, as well as the substantial increase in 2019 growth.

(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 3rd and 4th unsecured convertible corporate bonds in Taiwan, which was converted into ordinary shares to strengthen the corporate financial structure through converting corporate bonds into share capital.

2. Operating Results

Unit: NT\$1,000

Item \ Year	2018	2019	Difference	
			Amount	%
Operating Revenue	10,070,151	12,842,525	2,772,374	27.53
Operating Cost	8,257,132	10,313,919	2,056,787	24.91
Gross Profit from Operations	1,813,019	2,528,606	715,587	39.47
Operating Expenses	978,631	1,071,631	93,000	9.50
Operating Income	834,388	1,456,975	622,587	74.62
Non-operating Income and Expenses	95,434	55,194	(40,240)	(42.17)
Income before Tax	929,822	1,512,169	582,347	62.63
Income Tax Expense	192,536	235,658	43,122	22.40
Net income	737,286	1,276,511	539,225	73.14
Other Comprehensive Income (Net Income after Tax)	26,246	(264,473)	(290,719)	(1,107.67)
Total Comprehensive Income	763,532	1,012,038	248,506	32.55
Net Income Attributable to:				
Owners of Parent Company	743,001	1,279,195	536,194	72.17
Non-controlling Interests	(5,715)	(2,684)	3,031	53.04
Total Comprehensive Income Attributable to:				
Owners of Parent Company	769,016	1,016,560	247,544	32.19
Non-controlling Interests	(5,484)	(4,522)	962	17.54

(1)The above table is compiled based on the data of the Company's consolidated financial statements.

(2)Description of analysis on ratio change (change ratio for two periods exceeds 20% while the amount changed reaches NT\$10,000,000):

- 1.Operating Revenue: Due to increase in customer order plus the expansion of factory line and productivity allocation, which contribute to the overall revenue growth.
- 2.Operating Expenses and Gross Profit from Operations: Under continuous optimization of product portfolio, continuous increase in productivity, and constant improvement on production efficiency, the result in rising gross profit.
- 3.Operating Income: Due to the growth in operating revenue and increase in production efficiency and gross profit margin. Moreover, the operating expenses are under good control.
- 4.Non-Operating Income and Expenses: Due to the reduction in exchange profit.
- 5.Income before tax, taxation, and current net income: Due to increase in order, productivity allocation and expense control as well as other multiple factors that increase net income before tax, taxation and increase in current net income.
- 8.Other Comprehensive Income: Due to the difference of foreign exchange converted by the financial statements of foreign operational institutions.
- 9.Total Comprehensive Income: Due to increase in order, excellent productivity allocation and expense control.

(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 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	1,703,396	1,642,995	1,373,474	-	-
<p>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\$1,703,396, mainly due to profit growth in 2019. Investing activities: Net cash outflow from investment activities for the current period is NT\$1,668,438, mainly due to significant capital expenditure for the continuous expansion of plants in Vietnam and Cambodia. Financing activities: Net cash inflow of financing activities for the current period is NT\$140,481 mainly due to the increase of short-term loans, up by NT\$618,597, capital increase by cash of NT\$165,114 and the issuance of cash dividend of NT\$588,178.</p> <p>2. Remedial measures for cash inadequacy and liquidity analysis: The Company has no cash inadequacy.</p>					

(2)Improvement Plan for Inadequate Liquidity: The Company expects to maintain profitability for 2020 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 (2020)

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
1,373,474	1,442,110	2,275,193	540,391	-	Issue new shares via cash offering and convertible corporate bonds
<p>1. Analysis of changes in the cash flow in future year Operating Activities: Net cash inflow of current operating activities are results of revenue collected in cash. Investing activities and financing activities: For purchasing fixed assets, paying off loans and dividends.</p> <p>2. Anticipated remedial measures and liquidity analysis of cash inadequacy: New shares will be issued for cash offering and convertible corporate bonds.</p>					

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 2018 and 2019 was NT\$965,385,000 and NT\$1,506,853,000, 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	2015	2016	2017	2018	2019
Property, Plant, and Equipment Turnover Ratio	2.16	2.07	2.42	2.18	2.41
Total Asset Turnover Rate	1.03	1.01	1.12	0.98	1.07

(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 Most Recent Year

(1)Reinvestment 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 reinvestment for the most recent year

Unit: NT\$1,000; %

Investee	Shareholding Ratio	Investment Profit or Loss in 2019	Main Cause for Profit or Loss	Improvement Plan
Capital Concord Enterprises Limited	100	1,278,263	Business operation is good	None
Fujian Sunshine Footwear Co., Ltd.	100	189,655	Business operation is good	None
Hubei Sunsmile Footwear Co., Ltd.	100	95,104	Business operation is good	None
Sunny Footwear Co., Ltd.	100	20,859	Business operation is good	None
Fujian Laya Outdoor Products Co., Ltd.	100	59,015	Business operation is good	None
Fujian La Sportiva Co., Ltd.	60	(2,594)	Loss due to operation under poor economic scale	Develop business to improve profitability
Fulgent Sun Footwear Co., Ltd.	100	72,385	Business operation is good	None

Investee	Shareholding Ratio	Investment Profit or Loss in 2019	Main Cause for Profit or Loss	Improvement Plan
NGOC HUNG Footwear Co., Ltd.	100	66,430	Business operation is good	None
Laya Max Trading Co., Ltd.	100	(1,044)	Loss due to operation under poor economic scale	None
Laya Outdoor Products Limited	100	(2,705)	-	-
Lin Wen Chih Sunbow Enterprises Co., Ltd.	100	555,914	Business operation is good	None
Lin Wen Chih Sunstone Garment Enterprises	91.27	(9,987)	Loss due to operation under poor economic scale	Reduce fixed costs to reduce losses
Lin Wen Chih Sunlit Enterprises Co., Ltd.	100	689	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 2020 in the hope of creating resilient room for overall profit.

6. Analysis of Rick Management

(1) Impact of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

I. Interest Rates

The Company's financial structure is good with sufficient funds. The interest expense in 2018 and 2019 was NT\$22,898,000 and NT\$34,780,000, respectively, accounting for 0.23% and 0.27% of net operating revenue and 2.46% and 2.30% of net income, respectively. The interest-bearing loan in 2018 and 2019 accounted for 9.77% and 12.85% of total assets, respectively. The interest-bearing loan was for working capital, so the change in interest rates had little impact on the Company.

II. 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.

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.

III. 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.

(2)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.

(3)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.

(4)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.

(5)Impact of Changes in Technology and Industry on Corporate Finance and Business, and Response Measures

The Company specializes in the OEM production for shoe 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.

(6) 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.

(7) 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.

(8) 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 the hope of creating resilient room of favor and thereby accomplishing the overall profit increase.

(9) Risks Relating to and Responses to Excessive Concentration of Purchasing Sources and Customers

I. Risks Relating to and Responses to Excessive Concentration of Purchasing Sources

To avoid the risk of supply (material) 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.

II. 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 new brands.

(10) 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.

(11) 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.

- (12)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 Unappeasable, 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.

- (13)Information Security Risk and Response Measures

The Company sets up IT department in charge of the information development strategies of the Company, information security policy and the management and improvement of information system. With regards to information security risk control, the company develops the "Control for Information Security Check," "System Recovery Plan and Test Schedule Control," "File and Equipment Security Control," "Program and Data Access Control" and other information security system to regulate the information security of the Company. The IT department utilizes equipment to control and monitor online conduct and check the internet status and prevent unauthorized access. The IT department also regularly checks and evaluates the possible security vulnerability of internet by taking protective actions. New employees will need to take basic email and information system related training before issuing an account number to assure the integration of information security concept into daily operations. In 2019, there was no incidence of material information security risk that affected the company operation in 2019.

- (14)Other Important Matters: None.

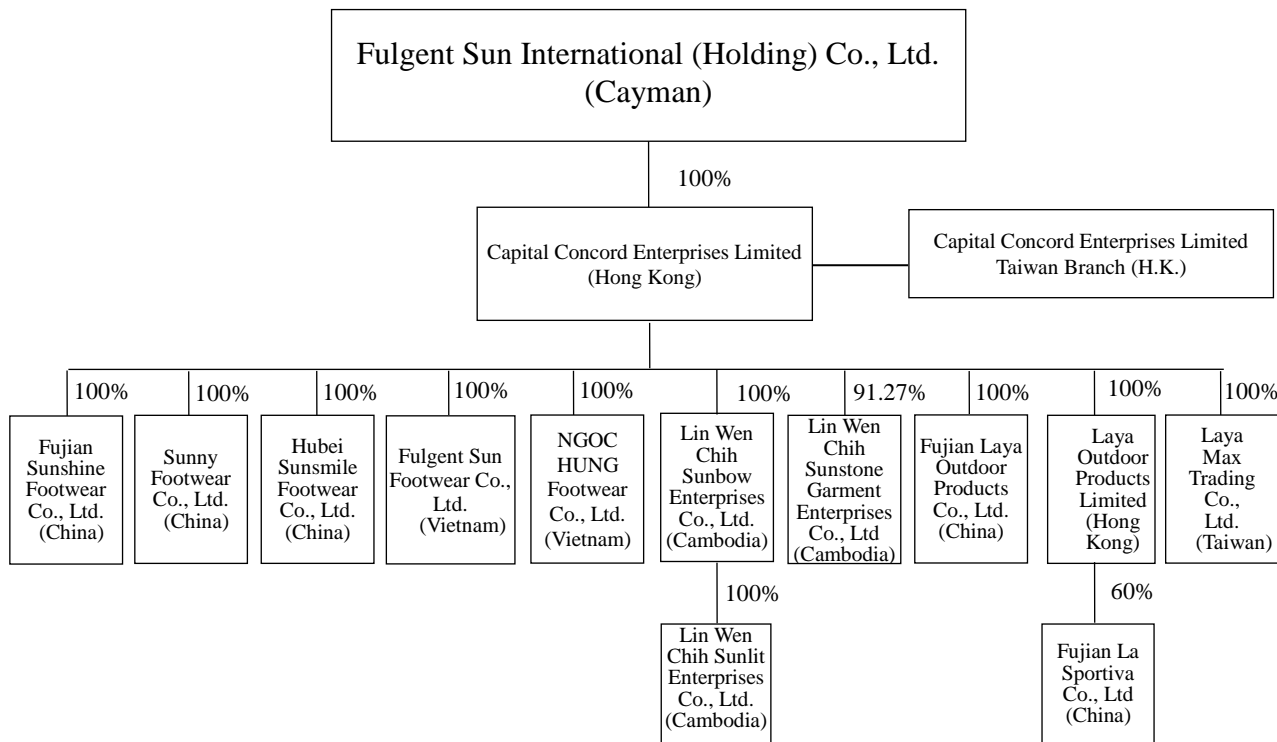
7.Other Important Issues: None.

VIII.Special Notes

1.Affiliated Companies

(1)Organizational Chart of Affiliated Companies

Data Reference Date: December 31, 2019



(2)Basic Information on Affiliated Companies

December 31, 2019; 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	1,747,566	Holding company
Capital Concord Enterprises Limited	1994/12/15	Hong Kong	5,307,307	Holding and production and sales of shoes
Fujian Sunshine Footwear Co., Ltd.	1995/3/22	Fujian Province, China	723,826	Production and sales of shoes
Sunny Footwear Co., Ltd.	2005/9/6	Fujian Province, China	130,680	Production and sales of shoes
Hubei Sunsmile Footwear Co., Ltd.	2009/6/2	Hubei Province, China	1,825,033	Production and sales of shoes
Fulgent Sun Footwear Co., Ltd.	2003/1/15	Hanoi Province, Vietnam	1,098,870	Shoe production
NGOC HUNG Footwear Co., Ltd.	2015/1/26	Hai Duong Province, Vietnam	1,165,931	Shoe production
Fujian Laya Outdoor Products Co., Ltd.	2009/10/30	Fujian Province, China	40,656	Agency distributor and import/export trading.
Laya Max Trading Co., Ltd.	2010/4/19	Yunlin County, Taiwan	12,395	Agency distributor and import/export trading.
Laya Outdoor Products Limited	2010/9/6	Hong Kong	40,449	Holding company
Fujian La Sportiva Co., Ltd.	2011/1/4	Fujian Province, China	67,148	Agent distribution and export/import trade
Lin Wen Chih Sunbow Enterprises Co., Ltd.	2013/12/16	Kandal, East Cambodia	1,518,038	Production and sales of shoes
Lin Wen Chih Sunstone Garment Enterprises	2013/12/16	Kandal, East Cambodia	427,675	Gourmet processing and selling
Lin Wen Chih Sunlit Enterprises Co., Ltd.	2013/12/16	Kandal, East Cambodia	184,611	Land lease business

(3)Shareholders in Common of the Company and Its Affiliated Companies with Deemed Control and Subordination: N/A

(4)Overall Business Scope of Affiliated Companies:

- I. Primary business sector: Production and sale of shoes and investment in related businesses.
- II. Others: Agency. For the main business and products of each affiliated companies, please refer to (2) Basic Information on Affiliated Companies.

(5) Director, Supervisor and Managers of Affiliated Companies

Shares held: As of April 14, 2020

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
Fulgent Sun International (Holding) Co., Ltd.	Chairman	Lin, Wen-Chih (Note 1)	25,566,661	14.60
	Director/President	Liao, Fang- Chu (Note 2)	21,718,018	12.40
	Director	Liao, Chih-Cheng	264,824	0.15
	Independent Director	Chang, Kun-Hsien	-	-
	Independent Director	Hsu, Ai-Chi	-	-
	Independent Director	Huang, Jing-Huang (Note 3)	-	-
	Independent Director	Li, Chun-An (Note 3)	-	-
	Independent Director	Wu, Jun-Ming (Note 3)	-	-
	Director	Yu, Man- Sang (Note 4, 5)	4,025,617	2.30
	Independent Director	Kuo, Shaw-Long (Note 6)	-	-
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	-	-
	Supervisor	Lin, Hui-Yi	-	-
Sunny Footwear Co., Ltd.	Chairman	Lin, Wen-Chih	-	-
	Director /President	Liao, Fang- Chu	-	-
	Director	Liao, Chih-Cheng	-	-
	Director	Lin, Hao-Yi	-	-
	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	-	-
	Inspector	Liao, Chih-Cheng	-	-
Fujian Laya Outdoor Products Co., Ltd.	Chairman	Lin, Wen-Chih	-	-
	Director	Liao, Fang- Chu	-	-

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
	/President			
	Director	Lin, Hui-Yi	-	-
	Supervisor	Chen, Ming-Hsien	-	-
	Chairman	Lin, Wen-Chih	-	-
Laya Outdoor Products Limited	Director	Lin, Hui-Yi	-	-
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	-	-
	Vice Chairman	Lorenzo	-	-
	Director	Lanfranco	-	-
	Supervisor	Roberto	-	-
	Supervisor	Chen, Ming-Hsien	-	-
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Chairman	Lin, Wen-Chih	-	-
	Director /President	Liao, Fang- Chu	-	-
	Director	Liao, Chih-Cheng	-	-
Lin Wen Chih Sunstone Garment Enterprises	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	-	-
	Inspector	Liao, Chih-Cheng	-	-

Note1: Personal shares held by Lin, Wen-Chih and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.

Note2: Personal shares held by Liao, Fang-Chu and those held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.

Note3: Huang, Jing-Huang, Li, Chun-An and Wu, Jun-Ming were elected the independent director of the Company at the Shareholders' Meeting held on June 12, 2019.

Note4: Shares held by Yu, Man-Sang directly through the custodial account used by CTBC Bank.

Note5: Director Yu, Man-Sang resigned from the office after the election of directors held on June 12, 2019.

Note6: Independent Director Kuo, Shaw-Long resigned after the reelection of directors held on June 12, 2019.

(6)Operational Highlights of Affiliated Companies

December 31, 2019; 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.	1,747,566	7,293,373	79,780	7,213,593	0	(10,152)	1,279,195
Capital Concord Enterprises Limited	5,307,307	13,964,627	5,682,320	8,282,307	11,066,257	285,423	1,278,263
Fujian Sunshine Footwear Co., Ltd.	723,826	2,861,191	716,140	2,145,051	3,046,431	252,492	190,042
Sunny Footwear Co., Ltd.	130,680	518,912	112,789	406,123	446,586	21,966	20,859
Hubei Sunsmile Footwear Co., Ltd.	1,825,033	2,112,057	337,406	1,774,651	1,352,901	100,920	94,935
Fulgent Sun Footwear Co., Ltd.	1,098,870	1,709,384	496,999	1,212,385	1,484,813	99,312	72,385
NGOC HUNG Footwear Co., Ltd.	1,165,931	1,278,792	149,006	1,129,786	662,276	90,916	66,430
Fujian Laya Outdoor Products Co., Ltd.	40,656	656,024	428,808	227,216	1,303,704	91,042	73,819
Laya Max Trading Co., Ltd.	12,395	16,566	239	16,327	6,269	(599)	(500)
Laya Outdoor Products Limited	40,449	40,404	31	40,373	0	(135)	(2,705)
Fujian La Sportiva Co., Ltd.	67,148	68,203	6,932	61,271	46,399	(6,457)	(4,324)
Lin Wen Chih Sunbow Enterprises Co., Ltd.	1,518,038	3,091,194	978,617	2,112,577	3,333,567	557,643	555,914
Lin Wen Chih Sunstone Garment Enterprises	427,675	230,323	1,433	228,890	85	(20,911)	(10,942)
Lin Wen Chih Sunlit Enterprises Co., Ltd.	184,611	187,065	503	186,562	1,349	829	689

(7)Consolidated Financial Statements of Affiliated Companies: Please refer to Pages 114~ 177.

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 2, 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

<p>Protection of Shareholders' Equity</p>	<p>The Company's Articles of Incorporation and Reason for Discrepancies</p>
<p>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.</p> <p>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.</p>	<p>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 the Companies Law of Cayman Islands does not have any special regulation pertaining to convention of shareholders' meetings, according to the attorney of Cayman Islands. This is discrete 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.</p> <p>2. According to the attorney of Cayman Islands, the Companies Law of Cayman Islands does not hold 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.</p>
<p>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</p>	<p>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 discrete from the provision that "A</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.</p>	<p>shareholder exercising voting rights by correspondence or electronic means will be 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.</p>
<p>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:</p> <ol style="list-style-type: none"> 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. 5. Resolutions for corporate dissolution, 	<ol style="list-style-type: none"> 1. In addition to ordinary resolution and supermajority resolution of shareholders' meeting 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

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>merger, or demerger.</p> <p>6. Private financing with securities.</p>	<p>discrepancy is due to the law of Cayman Islands. The Company's Articles of Incorporation have included matters to be passed by supermajority resolution, as prescribed in Protection of Shareholders' Equity, in matters to be passed by supermajority resolution and special resolution, separately.</p> <p>2. According to the Companies Law of Cayman Islands, the following matters shall be passed by special resolution:</p> <p>(1) Amending the Articles of Incorporation</p> <p>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.</p> <p>(2) Corporate dissolution:</p> <p>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</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
	<p>12.5 of the Company's Articles of Incorporation does not stipulate the threshold for corporate dissolution does not amend the resolution, as prescribed in Protection of Shareholders' Equity, into supermajority resolutions under the Republic of China Law.</p> <p>(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.</p> <p>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.</p>
<p>1 The term of office of a director or supervisor shall not exceed three years, but he/she may be eligible for re-election.</p> <p>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</p>	<p>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.</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
prevailing number of votes shall be deemed a director elect.	
<ol style="list-style-type: none"> 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. 2. The three years, but he/she may be eligible for re-election. 3. The term of office of a supervisor shall not exceed 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 on 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. 	<p>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.</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<ol style="list-style-type: none"> 8. Supervisor may each exercise the supervision power individually. 9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company. 	
<ol style="list-style-type: none"> 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. 	<p>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 June 12, 2019. 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 for six consecutive months 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)".</p>
<ol style="list-style-type: none"> 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 	<p>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</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.</p> <p>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.</p>	<p>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 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.</p>

Fulgent Sun International (Holding) Co., Ltd.

**Lin Wen Chih
Chairman**