Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Financial Statements With Independent Auditors' Review Report
For the Years Ended December 31, 2019 and 2018

(Stock Code: 9802)

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

Consolidated Financial Statements With Independent Auditors' Review Report for 2019 and 2018

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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

<u>Matter Description</u>

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 and 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 matter 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 reviews resulting in this independent auditors' review 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' review 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' review 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**			6,269,517	48		5,603,994	50
	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**			6,719,650	52		5,519,674	50
1XXX	**Total assets**		$	12,989,167	100	$	11,123,668	100

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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 Amount	%	December 31, 2018 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**		4,098,166	31	3,374,578	30
	Non-Current liabilities:					
2500	Financial liabilities at fair value through profit or loss-non-current	6 (2)	-	-	5,500	-
2530	Corporate bonds payable	6 (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**		617,291	5	1,211,474	11
2XXX	**Total liabilities**		4,715,457	36	4,586,052	41
	Equity attributable to owners of the parent company					
	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 owners of the parent company**		8,229,220	64	6,499,340	59
36XX	**Non-controlling interests**		44,490	-	38,276	-
3XXX	**Total Equity**		8,273,710	64	6,537,616	59
	Significant contingent liabilities and unrecognized contractual commitments	9				
3X2X	**Total liabilities and equity**		$ 12,989,167	100	$ 11,123,668	100

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

Chairman: Wen Chih Lin Manager: Fang Chu Liao Chief accountant: Chen Hsiang Fan

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 Amount	2019 %	2018 Amount	2018 %
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**		2,528,606	20	1,813,019	18
	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**		(1,071,631)	(9)	(978,631)	(10)
6900	**Operating income**		1,456,975	11	834,388	8
	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**		55,194	1	95,434	1
7900	**Profit before tax**		1,512,169	12	929,822	9
7950	Income tax expenses	6 (22)	(235,658)	(2)	(192,536)	(2)
8200	**Profit for the year**		$ 1,276,511	10	$ 737,286	7
	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)**		($ 264,473)	(2)	$ 26,246	-
8500	**Total comprehensive income(loss)**		$ 1,012,038	8	$ 763,532	7
	Net income(loss) attributable to:					
8610	Shareholders of the parent company		$ 1,279,195	10	$ 743,001	7
8620	Non-controlling interests		($ 2,684)	-	($ 5,715)	-
	Total comprehensive income(loss) attributable to:					
8710	Shareholders of the parent company		$ 1,016,560	8	$ 769,016	7
8720	Non-controlling interests		($ 4,522)	-	($ 5,484)	-
	Earnings per share	6 (23)				
9750	**Basic earnings per share**		$	7.81	$	5.10
	Diluted earnings per share					
9850	**Diluted earnings per share**		$	7.31	$	4.82

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

Chairman: Wen Chih Lin Manager: Fang Chu Liao Chief accountant: Chen Hsiang Fan

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)

		Attributable to owners of the parent company											
		Share capital			Retained earnings			Other equity					
	Note	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
2018													
Balance at January 1, 2018		$ 1,461,973	$ -	$ 3,336,445	$266,544	$244,368	$ 1,369,501	($ 446,556)	$ 422	($32,824)	$ 6,199,873	$43,760	$ 6,243,633
Effect of retrospective application and retrospective restatement		-	-	-	-	-	422	-	(422)	-	-	-	-
Adjusted balance as of January 1, 2018		1,461,973	-	3,336,445	266,544	244,368	1,369,923	(446,556)	-	(32,824)	6,199,873	43,760	6,243,633
Profit for the year		-	-	-	-	-	743,001	-	-	-	743,001	(5,715)	737,286
Other comprehensive income		-	-	-	-	-	-	26,015	-	-	26,015	231	26,246
Total comprehensive income(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		$ 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
2019													
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		$ 1,747,566	$ -	$ 4,459,672	$421,155	$420,541	$ 1,863,461	($ 683,175)	$ -	$ -	$ 8,229,220	$44,490	$ 8,273,710

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

Chairman: Wen Chih Lin　　Manager: Fang Chu Liao　　Chief accountant: Chen Hsiang Fan

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
Cash flows from operating activities			
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		1,703,396	872,729

(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
Cash flows from investing activities			
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		312	(42)
Net cash used in investing activities		(1,668,438)	(1,090,133)
Cash flows from financing activities			
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		10,737	-
Net cash flows from financing activities		140,481	574,766
Effect of exchange rate changes		(115,038)	(112,326)
Net increase in cash and cash equivalents		60,401	245,036
Cash and cash equivalents at beginning of period		1,313,073	1,068,037
Cash and cash equivalents at end of period		$ 1,373,474	$ 1,313,073

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

Chairman: Wen Chih Lin　　Manager: Fang Chu Liao　　Chief accountant: Chen Hsiang Fan

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

(1) 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:

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
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 2015-2017Cycle	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.

(2) 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.

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
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.

(3) 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.

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
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 polices 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:

			Percentage of ownership		
Name of Investor	Name of Subsidiary	Nature of business	December 31, 2019	December 31, 2018	Remark
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	

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Remark
Capital Concord Enterprises Limited H.K.	NGOC Hung Footwear Co., Ltd. (NGOC HUNG)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) <u>Accounts Receivable and Notes</u>

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.

(9) <u>Impairment of Financial Assets</u>

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.

(10) <u>The De-recognition of Financial Assets</u>

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

(11) <u>Inventories</u>

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.

(12) <u>Property, Plant and Equipment</u>

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 spate 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

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) <u>Employee Share-Based Payment</u>

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.

(25) <u>Income Tax</u>

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.

(26) 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.

(27) 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.

(28) 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 outdating 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.

(29) 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.

(30) 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

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
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	$ 1,373,474	$ 1,313,073

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.

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

Item	December 31, 2019	December 31, 2018
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	$ 4,654	$ 1,854
Financial liabilities mandatorily measured at fair value through profit or loss		
- Convertible corporate bond redemption and sale rights	$ -	($ 5,500)

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.

(3) 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)
	$ 2,329,423	$ 2,140,291

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
	$ 2,338,138	$ 2,143,921

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).

(4) 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	$ 2,227,112	($ 84,671)	$ 2,142,441

	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	$ 1,947,896	($ 84,752)	$ 1,863,144

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.

(5) Property, Plant and Equipment

Cost	2019 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
	$ 7,842,732	$ 1,473,323	($ 130,130)	$ 31,444	($ 233,639)	$ 8,983,730

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)
	($ 2,912,463)	($ 571,959)	$ 113,178	$ -	$ 114,870	($ 3,256,374)
	$ 4,930,269					$ 5,727,356

	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
	$ 6,920,508	$ 1,103,322	($ 278,754)	($ 2,661)	$ 100,317	$ 7,842,732

Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange 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	-	-	-
	($ 2,601,239)	($ 518,911)	$ 202,689	$ 846	$ 4,152	($ 2,912,463)
	$ 4,319,269					$ 4,930,269

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

(6) 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
	$ 775,909

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

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:

Items affecting current profit and loss	2019
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.

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

Item	December 31, 2019	December 31, 2018
Current:		
Restricted bank deposit	$ 19,805	$ -
Time deposits	43,050	-
Others	35,145	18,734
Total	$ 98,000	$ 18,734

Item	December 31, 2019	December 31, 2018
Non-current:		
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	$ 140,469	$ 510,849

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.

(8) Short-Term Loans

Loan Type	December 31, 2019	Interest rate range	Collateral
Credit loans	$ 1,669,050	0.73%~2.26%	Note

Loan Type	December 31, 2018	Interest rate range	Collateral
Credit loans	$ 1,077,264	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.

(9) 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	$ 880,558	$ 931,344

(10) 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	$ 69,780	$ 971,025

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%.

(11) 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	$ 10,000

(12) 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	$ 12,446	$ 250,158

Item	December 31, 2019	December 31, 2018
Non-current:		
Deferred government grant income	$ 122,016	$ 129,924
Other non-current liabilities - Other	90,326	94,080
Total	$ 212,342	$ 224,004

(13) Pension

1. 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.

2. 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.

(14) 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	174,757	146,274

(15) 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	$ 4,457,016	$ 2,110	$ 546	$ 4,459,672

	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	$ 3,330,877	$ 45,886	$ 357	$ 3,377,120

(16) Retained Earnings

1. 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.

2. 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.

3. 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.

4. (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	$ 636,885		$ 881,631	

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	$ 1,353,613	

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).

(17) Operating Revenue

	2019	2018
Revenue from Contracts with Customers	$ 12,842,525	$ 10,070,151

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:

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

Contract liability opening recognized income in current period

	2019	2018
Contract liability opening balance recognized income in current period – collections	$ 27,619	$ 14,247

(18) Other Income

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

(19) Other Gains and Losses

	2019	2018
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)
	$ 16,409	$ 61,240

(20) Finance Costs

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

(21) Expenses Expressed by Nature

	2019	2018
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
	4,099,182	3,516,608
Depreciation	616,174	518,911
Amortization	39,051	29,872
	$ 4,754,407	$ 4,065,391

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.

(22) Income Tax

1. Income tax expense

(1) Income tax component:

	2019	2018
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	229,910	206,436
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	5,748	(13,900)
Income tax expenses	$ 235,658	$ 192,536

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

	2019	2018
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	$ 235,658	$ 192,536

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	$ 59,732	($ 4,712)	$ 55,020
- Deferred income tax liabilities			
Others	($ 945)	($ 1,036)	($ 1,981)
Subtotal	($ 945)	($ 1,036)	($ 1,981)

	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	$ 61,223	($ 1,491)	$ 59,732
- Deferred income tax liabilities			
Foreign long-term investment income	($ 15,255)	$ 15,255	$ -
Unrealized gross profit	(67)	67	-
Others	(1,014)	69	(945)
Subtotal	($ 16,336)	$ 15,391	($ 945)

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$)
Basic earnings per share			
Profit attributable to equity holders of the Company	$ 1,279,195	163,819	$ 7.81
Diluted earnings per share			
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	$ 1,286,281	176,040	$ 7.31

	2018		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to equity holders of the Company	$ 743,001	145,787	$ 5.10
Diluted earnings per share			
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	$ 748,726	155,444	$ 4.82

(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:

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

(25) Supplementary Information on Cash Flow

1. Investing activities with partial cash payments:

	2019	2018
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	$ 1,506,853	$ 965,385

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	$ 1,669,050	$ 362,261	$ 69,780	$ 2,101,091

	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	$ 1,087,264	$ 1,207,520	$ 2,294,784

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	$ 68,427	$ 76,974

8. Pledged Assets

	Carrying amounts		
Assets	December 31, 2019	December 31, 2018	Guarantee use
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
	$ 298,822	$ 290,767	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Commitments

1. Capital expenditure contracted but not yet incurred:

	Contract Price	
	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 991,045	$ 939,180

	Unpaid Price	
	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 451,630	$ 560,348

2. Outstanding letter of credit amount:

	December 31, 2019	December 31, 2018
Outstanding letter of credit	$ 16,548	$ -

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:

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

(2) Financial Instruments

1. Categories of financial instruments

	December 31, 2019		December 31, 2018	
Financial Assets				
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
	$	3,993,392	$	3,649,873
Financial Liabilities				
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
	$	4,012,608	$	4,236,808
Lease liabilities (current and non-current)	$	362,261	$	-

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:

(Foreign currency: functional currency)	December 31, 2019								
					Sensitivity Analysis				
	Foreign currency (in thousands)		Exchange rate	Carrying amount		Range of change	Impact on Profit and Loss		Impact on Other Comprehensive Income
Financial Assets									
Monetary items									
USD: RMB	$	11,256	6.9640	$	337,460	5%	$	16,873	$ -
RMB: USD		55,123	0.1436		237,303	5%		11,865	-
Financial Liabilities									
Monetary items									
USD: RMB	$	1,461	6.9640	$	43,803	5%	$	2,190	$ -
NTD: USD		1,055,417	0.0334		1,055,417	5%		52,771	-

(Foreign currency: functional currency)	December 31, 2018								
					Sensitivity Analysis				
	Foreign currency (in thousands)		Exchange rate	Carrying amount		Range of change	Impact on Profit and Loss		Impact on Other Comprehensive Income
Financial Assets									
Monetary items									
USD: RMB	$	6,431	6.8683	$	197,814	5%	$	9,891	$ -
RMB: USD		27,999	0.1456		125,210	5%		6,261	-
Financial Liabilities									
Monetary items									
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
	Accounts receivable
January 1	$ 2,749
Allowance for Impairment loss	802
Effect of exchange rate changes	79
December 31	$ 3,630

(3) Liquidity Risk

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

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

C. 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:

	December 31, 2019	
	Carrying amount	Fair Value Level 3
Corporate bonds payable	$ 69,780	$ 70,087

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

   (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	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
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	$ 4,626	$ -	$ 28	$ 4,654

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
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	$ 1,854	$ -	($ 5,500)	($ 3,646)

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:

	2019	2018
	Non-derivative equity instruments	Non-derivative equity instruments
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	$ 28	($ 5,500)

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 though use of independent data source in order that such valuation results

are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g. calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.

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

	Fair value as of December 31, 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	$22,076,282	$ 1,356,371	$ 2,760	$23,435,413
Segment profit (loss)	$ 1,446,400	$ 90,581	$ 1,268,920	$ 2,805,901
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

	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	$17,836,971	$ 835,015	$ 3,058	$18,675,044
Segment profit (loss)	$ 1,459,715	$ 49,911	$ 686,029	$ 2,195,655
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

(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

2. 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	$ 44,215	$ -	$ -	$ 44,215
Increase in department assets (Note)	$ -	$ -	$ -	$ -
Increase in department liabilities (Note)	$ -	$ -	$ -	$ -

(Note) Since the Group has not provided the measured amount of assets and liabilities to the chief operating decision maker, the segment information of total assets and liabilities is not disclosed

(3) Reconciliation of Segment Revenue and Profit or Loss

1. 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	$ 12,842,525	$ 10,070,151

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	1,268,920	686,029
Total income before tax from operating segments	2,805,901	2,195,655
Elimination of intersegment revenue	(1,293,732)	(1,265,833)
Total consolidated operating revenue	$ 1,512,169	$ 929,822

(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	4,264,821	5,069,244	3,411,731	3,690,230
Total	$ 12,842,525	$ 6,659,976	$ 10,070,151	$ 5,458,088

(6) 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	1,472,038	Production and sales of shoes	E	1,003,473	Production and sales of shoes
	$6,937,669			$5,038,581	

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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	Related Party	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	Collateral		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)

		Party being endorsed/guaranteed												
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	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland	Note
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	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

Unit NTD thousand

(Unless Otherwise Specified)

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

Unit NTD thousand

(Unless Otherwise Specified)

			Transaction Details				Unusual trade conditions and its reasons (Note)		Notes and Accounts Receivable (Payable)		
Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Purchase/Sale	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
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 valuated based on reasonable profits; thus, selling prices to related parties and those to non-related parties are incomparable. In terms of payment terms, there was no significant difference between related parties and non-related parties.

Note 2: In 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

Unit NTD thousand

(Unless Otherwise Specified)

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

Unit NTD thousand

(Unless Otherwise Specified)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			
				General Ledger Account	Amount (Note 5)	Trade terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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

Unit NTD thousand

(Unless Otherwise Specified)

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.