

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022
(Stock Code: 9802)

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

Emphasis of matter paragraph

As stated in the consolidated financial statements (Note 3(1)), Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries cause of Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' effective from January 1, 2023, therefore, apply the accounting standards retroactively and adjust the affected items in the previous financial statements. We did not revise the review conclusion because of this.

The engagement partners on the reviews resulting in this independent auditors' review report are Hua-Ling Liang and Mei-Lan Liu.

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

May 5, 2023

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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with the auditing standards

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

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, March 31, 2022, and January 01, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	Note	March 31, 2023		(adjusted) December 31, 2022		(adjusted) March 31, 2022		(adjusted) January 01, 2022		
		Amount	%	Amount	%	Amount	%	Amount	%	
Current assets										
1100	Cash and cash equivalents	6 (1)	\$ 2,245,177	10	\$ 2,195,379	10	\$ 1,438,256	7	\$ 1,114,952	6
1110	Current financial assets at fair value through profit or loss	6 (2)	8	-	27	-	450	-	-	-
1170	Accounts receivable, net	6 (3)	3,398,509	16	4,229,321	18	3,342,669	17	3,335,859	19
1200	Other receivables		444,037	2	433,399	2	237,136	1	212,600	1
130X	Inventories	6 (4)	4,266,817	20	4,985,071	22	4,912,414	25	3,897,515	22
1410	Prepayments		80,152	-	83,047	-	202,711	1	181,074	1
1470	Other current assets	6 (7) and 8	332,622	2	211,448	1	71,504	-	153,917	1
11XX	Total current assets		<u>10,767,322</u>	<u>50</u>	<u>12,137,692</u>	<u>53</u>	<u>10,205,140</u>	<u>51</u>	<u>8,895,917</u>	<u>50</u>
Non-current assets										
1510	Non-current financial assets at fair value through profit or loss	6 (2)	6,969	-	5,938	-	7,322	-	7,607	-
1600	Property, plant and equipment	6 (5) and 8	8,591,157	40	8,748,836	38	7,811,638	39	7,320,208	41
1755	Right-of-use assets	6 (6)	1,796,211	8	1,800,651	8	1,656,990	8	1,168,839	7
1780	Intangible assets		15,061	-	16,132	-	12,007	-	11,468	-
1840	Deferred tax assets	6 (23)	261,227	1	245,894	1	237,387	1	157,878	1
1900	Other non-current assets	6 (7) and 8	90,513	1	111,898	-	131,065	1	138,249	1
15XX	Total non-current assets		<u>10,761,138</u>	<u>50</u>	<u>10,929,349</u>	<u>47</u>	<u>9,856,409</u>	<u>49</u>	<u>8,804,249</u>	<u>50</u>
1XXX	Total assets		<u>\$ 21,528,460</u>	<u>100</u>	<u>\$ 23,067,041</u>	<u>100</u>	<u>\$ 20,061,549</u>	<u>100</u>	<u>\$ 17,700,166</u>	<u>100</u>

(Continued)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with the auditing standards

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

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, March 31, 2022, and January 01, 2022

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Note	March 31, 2023		(adjusted) December 31, 2022		(adjusted) March 31, 2022		(adjusted) January 01, 2022	
		Amount	%	Amount	%	Amount	%	Amount	%
Current liabilities									
2100 Short-term borrowings	6 (8) and 8	\$ 3,076,150	14	\$ 3,476,180	15	\$ 3,676,250	18	\$ 3,122,600	18
2130 Current contract liabilities	6 (17)	80,800	1	76,777	-	73,896	-	76,092	-
2170 Accounts payable		2,021,962	10	2,942,863	13	2,790,871	14	2,512,476	14
2200 Other payables	6 (9)	2,380,755	11	1,906,178	8	1,990,079	10	1,374,273	8
2230 Current tax liabilities		590,729	3	602,312	3	263,624	1	158,029	1
2280 Current lease liabilities		24,558	-	19,614	-	7,865	-	14,704	-
2320 Current portion of other long-term liabilities	6 (10)	26,379	-	26,992	-	491,481	3	489,956	3
2399 Other current liabilities, others		53,598	-	43,752	-	22,854	-	21,358	-
21XX Total current liabilities		<u>8,254,931</u>	<u>39</u>	<u>9,094,668</u>	<u>39</u>	<u>9,316,920</u>	<u>46</u>	<u>7,769,488</u>	<u>44</u>
Non-Current liabilities:									
2500 Non-current financial liabilities at fair value through profit or loss		-	-	-	-	-	-	700	-
2540 Long-term borrowings	6 (11)	-	-	-	-	100,000	1	100,000	1
2570 Deferred tax liabilities	6 (23)	181,594	1	159,180	1	158,548	1	69,072	-
2580 Non-current lease liabilities		937,278	4	944,426	4	894,880	4	477,801	3
2600 Other non-current liabilities	6 (12)	208,255	1	209,974	1	215,490	1	208,606	1
25XX Total non-current liabilities		<u>1,327,127</u>	<u>6</u>	<u>1,313,580</u>	<u>6</u>	<u>1,368,918</u>	<u>7</u>	<u>856,179</u>	<u>5</u>
2XXX Total liabilities		<u>9,582,058</u>	<u>45</u>	<u>10,408,248</u>	<u>45</u>	<u>10,685,838</u>	<u>53</u>	<u>8,625,667</u>	<u>49</u>
Equity attributable to owners of the parent company									
Share capital	6 (14)								
3110 Ordinary share		\$ 1,907,303	9	\$ 1,907,235	8	\$ 1,861,950	9	\$ 1,861,950	11
Capital surplus	6 (15)								
3200 Capital surplus		5,677,980	26	5,677,352	25	5,256,344	26	5,256,344	29
Retained earnings	6 (16)								
3310 Legal reserve		907,119	4	907,119	4	684,352	4	684,352	4
3320 Special reserve		554,857	2	554,857	2	975,266	5	975,266	5
3350 Unappropriated retained earnings		3,407,155	16	4,073,113	18	1,243,645	6	1,264,003	7
Other equity									
3400 Other equity interest		(450,429)	(2)	(403,300)	(2)	(588,263)	(3)	(927,442)	(5)
3500 Treasury shares	6 (14)	(57,583)	-	(57,583)	-	(57,583)	-	(57,583)	-
31XX Total equity attributable to owners of the parent company		<u>11,946,402</u>	<u>55</u>	<u>12,658,793</u>	<u>55</u>	<u>9,375,711</u>	<u>47</u>	<u>9,056,890</u>	<u>51</u>
36XX Non-controlling interests		-	-	-	-	-	-	17,609	-
3XXX Total Equity		<u>11,946,402</u>	<u>55</u>	<u>12,658,793</u>	<u>55</u>	<u>9,375,711</u>	<u>47</u>	<u>9,074,499</u>	<u>51</u>
Significant Contingent Liabilities and Unrecognized Contractual Commitments	9								
Significant Events after the End of the Reporting Period	11								
3X2X Liabilities and total equity		<u>\$ 21,528,460</u>	<u>100</u>	<u>\$ 23,067,041</u>	<u>100</u>	<u>\$ 20,061,549</u>	<u>100</u>	<u>\$ 17,700,166</u>	<u>100</u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the auditing standards
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

Item	Note	For the Three Months Ended March 31, 2023		(adjusted) For the Three Months Ended March 31, 2022		
		Amount	%	Amount	%	
4000	Operating revenue	6 (17)	\$ 5,053,564	100	\$ 4,527,115	100
5000	Operating costs	6 (4)	(3,985,060)	(79)	(3,546,508)	(78)
5950	Gross profit from operations		1,068,504	21	980,607	22
	Operating expenses	6 (22)				
6100	Selling expenses		(85,623)	(2)	(80,553)	(2)
6200	Administrative expenses		(220,449)	(4)	(217,097)	(5)
6300	Research and development expenses		(51,508)	(1)	(48,363)	(1)
6450	Impairment (loss)gain	12(2)	(36,179)	(1)	1,048	-
6000	Total operating expenses		(393,759)	(8)	(344,965)	(8)
6900	Net operating income		674,745	13	635,642	14
	Non-operating income and expenses					
7100	Interest income	6 (18)	5,956	-	2,162	-
7010	Other income	6 (19)	19,294	-	15,629	-
7020	Other gains and losses	6 (20)	(48,919)	(1)	47,666	1
7050	Finance costs	6 (21)	(30,294)	-	(9,901)	-
7000	Total non-operating income and expenses		(53,963)	(1)	55,556	1
7900	Profit before tax		620,782	12	691,198	15
7950	Income tax expenses	6 (23)	(146,318)	(3)	(154,986)	(3)
8200	Profit		\$ 474,464	9	\$ 536,212	12
	Other comprehensive income, net					
	Items that may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation		(\$ 47,129)	(1)	\$ 339,270	7
8300	Other comprehensive income, net		(\$ 47,129)	(1)	\$ 339,270	7
8500	Total comprehensive income		\$ 427,335	8	\$ 875,482	19
	Profit attributable to:					
8610	Owners of the parent company		\$ 474,464	9	\$ 536,247	12
8620	Non-controlling interests		\$ -	-	(\$ 35)	-
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 427,335	8	\$ 875,426	19
8720	Non-controlling interests		\$ -	-	\$ 56	-
	Basic earnings per share	6 (24)				
9750	Total basic earnings per share		\$ 2.50		\$ 2.89	
	Diluted earnings per share					
9850	Total diluted earnings per share		\$ 2.49		\$ 2.82	

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with the auditing standards

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

Consolidated Statements of Changes in Equity

For the Three Months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Equity Attributable to Owners of Parent										
Retained earnings										
Note	Ordinary share	Capital surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Treasury shares	Total	Non-controlling interests	Total Equity
Balance at January 1, 2022 (adjusted)	\$ 1,861,950	\$ 5,256,344	\$ 684,352	\$ 975,266	\$ 1,231,980	(\$ 927,442)	(\$ 57,583)	\$ 9,024,867	\$ 17,609	\$ 9,042,476
Effects of retrospective application to IAS 12	-	-	-	-	32,023	-	-	32,023	-	32,023
Equity at beginning of period after adjustments	<u>1,861,950</u>	<u>5,256,344</u>	<u>684,352</u>	<u>975,266</u>	<u>1,264,003</u>	<u>(927,442)</u>	<u>(57,583)</u>	<u>9,056,890</u>	<u>17,609</u>	<u>9,074,499</u>
Profit for the period	-	-	-	-	536,247	-	-	536,247	(35)	536,212
Other comprehensive income	-	-	-	-	-	339,179	-	339,179	91	339,270
Total comprehensive income	-	-	-	-	536,247	339,179	-	875,426	56	875,482
Distribution of earnings for the second half year of 2021	6(16)	-	-	-	(556,605)	-	-	(556,605)	-	(556,605)
Cash dividends of ordinary shares	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(17,665)	(17,665)
Balance at March 31, 2022	<u>\$ 1,861,950</u>	<u>\$ 5,256,344</u>	<u>\$ 684,352</u>	<u>\$ 975,266</u>	<u>\$ 1,243,645</u>	<u>(\$ 588,263)</u>	<u>(\$ 57,583)</u>	<u>\$ 9,375,711</u>	<u>\$ -</u>	<u>\$ 9,375,711</u>
Balance at January 1, 2023(adjusted)	<u>\$ 1,907,235</u>	<u>\$ 5,677,352</u>	<u>\$ 907,119</u>	<u>\$ 554,857</u>	<u>\$ 4,073,113</u>	<u>(\$ 403,300)</u>	<u>(\$ 57,583)</u>	<u>\$ 12,658,793</u>	<u>\$ -</u>	<u>\$ 12,658,793</u>
Profit for the period	-	-	-	-	474,464	-	-	474,464	-	474,464
Other comprehensive income	-	-	-	-	-	(47,129)	-	(47,129)	-	(47,129)
Total comprehensive income (loss)	-	-	-	-	474,464	(47,129)	-	427,335	-	427,335
Distribution of earnings for the second half year of 2022	6(16)	-	-	-	(1,140,422)	-	-	(1,140,422)	-	(1,140,422)
Cash dividends of ordinary shares	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	6(10)(14)(15)(25)	68	628	-	-	-	-	696	-	696
Balance at March 31, 2023	<u>\$ 1,907,303</u>	<u>\$ 5,677,980</u>	<u>\$ 907,119</u>	<u>\$ 554,857</u>	<u>\$ 3,407,155</u>	<u>(\$ 450,429)</u>	<u>(\$ 57,583)</u>	<u>\$ 11,946,402</u>	<u>\$ -</u>	<u>\$ 11,946,402</u>

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the auditing standards
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 620,782	\$ 691,198
Adjustments			
Adjustments to reconcile profit and loss			
Depreciation expense	6(5)(6)(22)	264,462	213,558
Amortization expense	6(22)	5,058	3,836
Expected credit loss (gain)	12(2)	36,179	(1,048)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(20)	(1,012)	(865)
Interest expenses	6(21)	30,294	9,901
Interest income	6(18)	(5,956)	(2,162)
Loss (gain) on disposal of property, plant and equipment	6(20)	1,498	(46)
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		701,957	55,606
Other receivables		(12,710)	(17,545)
Inventories		697,788	(852,345)
Prepayments		2,359	(14,892)
Other current assets		(7,908)	(7,844)
Changes in operating liabilities			
Contract liability		61,410	46,495
Accounts payable		(901,981)	185,322
Other payables		(414,231)	(162,805)
Other current liabilities		10,162	724
Other non-current liabilities		(788)	(783)
Cash flows generated from operating		1,087,363	146,305
Interest received		6,420	2,392
Interest paid		(27,743)	(6,682)
Income tax paid		(146,679)	(42,058)
Net cash flows generated from operating activities		<u>919,361</u>	<u>99,957</u>

(Continued)

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Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 118,344)	\$ -
Proceeds from disposal of financial assets at amortized cost		-	88,166
Acquisition of property, plant and equipment	6(25)	(364,869)	(282,376)
Proceeds from disposal of property, plant and equipment		225	817
Decrease (increase) in refundable deposits		8	(17,416)
Acquisition of intangible assets		-	(878)
(Decrease) increase in other non-current assets		35	(2,185)
Net cash flows used in investing activities		<u>(482,945)</u>	<u>(213,872)</u>
<u>Cash flows from financing activities</u>			
(Decrease) increase in short-term borrowings	6(26)	(370,017)	437,615
Payments of lease liabilities	6(6) (26)	(6,590)	(6,585)
Net cash flows (used in) generated from financing activities		<u>(376,607)</u>	<u>431,030</u>
Effects of exchange rate changes		(10,011)	6,189
Net increase in cash and cash equivalents		49,798	323,304
Cash and cash equivalents at beginning of period		<u>2,195,379</u>	<u>1,114,952</u>
Cash and cash equivalents at end of period		<u>\$ 2,245,177</u>	<u>\$ 1,438,256</u>

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the auditing standards
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

Fulgent Sun International (Holding) Co., Ltd. (the “Company”) was established in November 2009 in British Cayman Islands. The office is located at No. 76, Section 3, Yunlin Road, Douliu City, Yunlin County. The main business activities of the Company and its subsidiaries (the “Group”) are the production and sale of sports and leisure outdoor footwear.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

The consolidated financial statements were approved by the Board of Directors and published on May 5, 2023.

3. Application of the New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective Date Set by the IASB
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’.

The amendments require an entity to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Upon adoption, the Group expects to recognize a deferred tax asset and liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities retrospectively as of January 1, 2022. These amendments resulted to an increase in deferred tax assets by \$187,964, \$99,500, \$181,472 and \$188,369 and deferred tax liabilities by \$154,570, \$67,477, \$156,584 and \$156,153 and an increase in retained earnings by \$33,394, \$32,023, \$24,888 and \$32,216 as of March 31, 2023, January 1, 2022, March 31, 2022, and December 31, 2022, respectively, and an (decrease) increase in income tax expense by (\$1,178) and \$7,135, and an increase (decrease) earnings per share by \$0.01 and (\$0.04) respectively, for the 1th quarter in 2023.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC.

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date Set by the IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or Non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The significant accounting policies are the same as Note 4 of the 2022 consolidated financial statements except for the statement of compliance, basis of preparation, basis of consolidation and newly added parts are explained below. These policies apply consistently during all reporting periods, unless otherwise specified.

(1) Compliance statement

- A. These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" which are endorsed and issued into effect by FSC.
- B. The consolidated financial statements should be read with 2022 consolidated financial statements.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
Financial assets and financial liabilities at fair value through profit or loss.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of Consolidation

- A. Principles of preparation of consolidated financial statements

The principles for preparing the consolidated financial statements are the same as those for the 2022 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main business activities	Percentage of ownership			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Capital Concord Enterprises Limited (Capital Concord Enterprises Limited H.K.)	Holding company; Sports Leisure Outdoor Footwear Production and Sales	100	100	100	
Capital Concord Enterprises Limited H.K.	Fujian Laya Outdoor Products Co., Ltd. (Fujian Laya)	Import/export trading	100	100	100	
Capital Concord Enterprises Limited H.K.	Hong Kong Laya Outdoor Products (Hong Kong Laya)	Holding company	-	-	100	Note1
Capital Concord Enterprises Limited H.K.	Fujian Sunshine Footwear Co., Ltd. (Sunshine)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100	
Capital Concord Enterprises Limited H.K.	Sunny Footwear Co., Ltd. (Sunny)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100	
Capital Concord Enterprises Limited H.K.	Hubei Sunsmile Footwear Co., Ltd. (Sunsmile)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100	
Capital Concord Enterprises Limited H.K.	Fulgent Sun Footwear Co., Ltd. (Fulgent Sun)	Sports Leisure Outdoor Footwear Production	100	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	100	
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunstone Enterprises Co., Ltd. (Sunstone)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100	Note2
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunzeal Enterprises Co., Ltd (Sunzeal)	Sports Leisure Outdoor Footwear Production and Sales	100	-	-	Note3
Capital Concord Enterprises Limited H.K.	NGOC Hung Footwear Co., Ltd. (NGOC HUNG)	Sports Leisure Outdoor Footwear Production	100	100	100	
Capital Concord Enterprises Limited H.K.	Eversun Footwear Co., Ltd. (Eversun)	Sports Leisure Outdoor Footwear Production	100	100	100	
Capital Concord Enterprises Limited H.K.	PT. SUN BRIGHT LESTARI	Sports Leisure Outdoor Footwear Production and Sales	100	100	100	
Capital Concord Enterprises Limited H.K.	Laya Chemical Engineering Co., Ltd.(Laya Chemical)	Shoes material production	100	100	-	Note4
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.(Sunlit)	Land lease	100	100	100	Note5

Note 1: The liquidation process was completed in April 2022.

Note 2: The Group purchased 8.73% equity of Sunstone from unrelated parties in January 2022.

Note 3: The Group had established Sunzeal in 2023 in Cambodia, and has included it in the consolidated financial statements since then.

Note 4: The Group had established Laya Chemical in Taiwan in 2022, and has included it in the consolidated financial statements since then.

Note 5: A total of 51% of the equity is registered in the name of a related party who is a Cambodian in response to the local law and regulations. The Group has already taken relevant preservation measures.

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

- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Income Tax

- A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognized the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There are no significant changes in this period, please refer to Note 5 of 2022 consolidated financial statements.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand and revolving funds	\$ 5,972	\$ 4,910	\$ 6,232
Checking deposits & demand deposits	1,449,770	1,628,836	1,003,153
Time deposits	789,435	561,633	428,871
Total	<u>\$ 2,245,177</u>	<u>\$ 2,195,379</u>	<u>\$ 1,438,256</u>

- A. The financial institutions of the Group have good credit quality, and the Group has dealings with several financial institutions to distract credit risk; therefore, the default is very unlikely.
- B. The Group classifies time deposits with an original maturity of more than 3 months and not meeting short-term cash commitments as financial assets at amortized cost and presents them under “other current assets”.
- C. For restricted bank deposits of the Group, please refer to Note 6 (7).

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

Item	March 31, 2023	December 31, 2022	March 31, 2022
Current items:			
Financial assets designated at fair value through profit or loss			
- Convertible corporate bond redemption and sale rights	<u>\$ 8</u>	<u>\$ 27</u>	<u>\$ 450</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Listed company stock	<u>\$ 6,969</u>	<u>\$ 5,938</u>	<u>\$ 7,322</u>

- A. The convertible corporate bonds the Group held the right to redeem and sell for the three months ended March 31, 2023 and 2022, with recognized (losses) and gains were (\$19) and \$1,150, respectively.
- B. The shares of listed OTC companies the Group held for the three months ended March 31, 2023 and 2022, with recognized gains and (losses) were \$1,031 and (\$285), respectively.
- C. The Group has not pledged any financial assets at fair value through profit or loss.

(3) Accounts receivable, net

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	\$ 3,450,753	\$ 4,245,464	\$ 3,369,675
Less: Allowance for impairment	(52,244)	(16,143)	(27,006)
	<u>\$ 3,398,509</u>	<u>\$ 4,229,321</u>	<u>\$ 3,342,669</u>

A. The aging analysis of accounts receivable is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current	\$ 3,021,105	\$ 3,869,409	\$ 2,964,219
Overdue 0 to 90 days	408,484	350,406	370,918
Overdue 91 to 180 days	7,579	14,408	13,776
Overdue 181 to 365 days	5,065	2,681	4,013
Over 365 days past due	8,520	8,560	16,749
Total	<u>\$ 3,450,753</u>	<u>\$ 4,245,464</u>	<u>\$ 3,369,675</u>

The above information is based on the number of overdue days for the aging analysis.

- B. The balances of accounts receivable of March 31, 2023, December 31, 2022 and March 31, 2022 were generated by the customer contracts. The balances of accounts receivable from the customer contract as of January 1, 2022 was \$3,335,859.
- C. The amount of the maximum credit risk of the Group's accounts receivables as of March 31, 2023, December 31, 2022 and March 31, 2022 regardless of the collateral or other credit enhancements held, was the book value of each type of accounts receivables.
- D. For relevant credit risk information, please refer to Note 12(2).

(4) Inventories

	March 31, 2023		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 5	\$ -	\$ 5
Raw material	1,102,912	(36,374)	1,066,538
Work in process	1,178,284	(19,920)	1,158,364
Finished goods	1,780,974	(44,844)	1,736,130
Inventory in-transit	305,780	-	305,780
Total	<u>\$ 4,367,955</u>	<u>(\$ 101,138)</u>	<u>\$ 4,266,817</u>

	December 31, 2022		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 13	(\$ 1)	\$ 12
Raw material	1,216,850	(27,799)	1,189,051
Work in process	1,621,349	(31,224)	1,590,125
Finished goods	1,741,646	(32,753)	1,708,893
Inventory in-transit	496,990	-	496,990
Total	<u>\$ 5,076,848</u>	<u>(\$ 91,777)</u>	<u>\$ 4,985,071</u>

	March 31, 2022		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 13,571	\$ -	\$ 13,571
Raw material	1,452,084	(31,384)	1,420,700
Work in process	1,395,020	(47,832)	1,347,188
Finished goods	1,193,150	(20,563)	1,172,587
Inventory in-transit	958,368	-	958,368
Total	<u>\$ 5,012,193</u>	<u>(\$ 99,779)</u>	<u>\$ 4,912,414</u>

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

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Cost of inventories sold	\$ 3,965,196	\$ 3,528,112
Inventory valuation losses	9,361	21,844
Inventory scrap losses	3,044	396
Others	(7,459)	(3,844)
	<u>\$ 3,985,060</u>	<u>\$ 3,546,508</u>

(5) Property, Plant and Equipment

For the Three Months Ended March 31, 2023

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 339,011	\$ -	\$ -	\$ -	(\$ 2,870)	\$ 336,141
Buildings	5,504,936	22,439	-	33,311	(29,890)	5,530,796
Machinery equipment	5,404,819	28,170	(1,937)	129,747	(26,944)	5,533,855
Transportation equipment	96,145	-	(882)	-	(458)	94,805
Office equipment	59,049	2,308	(12)	-	(325)	61,020
Others	2,182,228	47,212	(10,317)	20,455	(13,673)	2,225,905
Construction in progress and to-be-inspected equipment	415,201	39,292	-	(188,791)	(592)	265,110
	<u>\$ 14,001,389</u>	<u>\$ 139,421</u>	<u>(\$ 13,148)</u>	<u>(\$ 5,278)</u>	<u>(\$ 74,752)</u>	<u>\$ 14,047,632</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 1,599,923)	(\$ 51,162)	\$ -	\$ -	\$ 7,895	(\$ 1,643,190)
Machinery equipment	(2,038,727)	(85,972)	1,776	-	9,996	(2,112,927)
Transportation equipment	(57,473)	(2,192)	882	-	290	(58,493)
Office equipment	(43,371)	(1,534)	9	-	235	(44,661)
Others	(1,513,059)	(102,655)	8,758	-	9,752	(1,597,204)
	<u>(\$ 5,252,553)</u>	<u>(\$ 243,515)</u>	<u>\$ 11,425</u>	<u>\$ -</u>	<u>\$ 28,168</u>	<u>(\$ 5,456,475)</u>
	<u>\$ 8,748,836</u>					<u>\$ 8,591,157</u>

For the Three Months Ended March 31, 2022

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 282,330	\$ -	\$ -	\$ -	\$ 9,639	\$ 291,969
Buildings	4,469,900	26,721	-	74,639	155,236	4,726,496
Machinery equipment	3,995,352	35,443	(3,792)	95,782	138,480	4,261,265
Transportation equipment	85,753	3,681	-	-	2,963	92,397
Office equipment	46,373	1,643	(87)	-	1,645	49,574
Others	1,692,739	54,318	(8,040)	4,198	59,250	1,802,465
Construction in progress and to-be-inspected equipment	975,269	277,709	-	(134,424)	35,007	1,153,561
	<u>\$ 11,547,716</u>	<u>\$ 399,515</u>	<u>(\$ 11,919)</u>	<u>\$ 40,195</u>	<u>\$ 402,220</u>	<u>\$ 12,377,727</u>
	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Accumulated depreciation						
Buildings	(\$ 1,317,524)	(\$ 51,109)	\$ -	\$ -	(\$ 47,886)	(\$ 1,416,519)
Machinery equipment	(1,677,192)	(73,410)	3,502	-	(60,277)	(1,807,377)
Transportation equipment	(54,734)	(2,016)	-	-	(1,938)	(58,688)
Office equipment	(36,828)	(895)	87	-	(1,312)	(38,948)
Others	(1,141,230)	(70,067)	7,559	-	(40,819)	(1,244,557)
	<u>(\$ 4,227,508)</u>	<u>(\$ 197,497)</u>	<u>\$ 11,148</u>	<u>\$ -</u>	<u>(\$ 152,232)</u>	<u>(\$ 4,566,089)</u>
	<u>\$ 7,320,208</u>					<u>\$ 7,811,638</u>

A. For the three months ended March 31, 2023 and, 2022 the Group no interest capitalized.

B. For property, plant and equipment provided by the Group as collateral as March 31, 2023, December 31, 2022 and March 31, 2022, please refer to Note 8.

(6) Lease arrangements - Lessee

A. The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods of 3 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There are no restrictions except that the leased assets may not be used as loan guarantees.

B. The carrying amount of the right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 1,002,452	\$ 998,700	\$ 879,879
Buildings	793,759	801,951	777,111
	<u>\$ 1,796,211</u>	<u>\$ 1,800,651</u>	<u>\$ 1,656,990</u>

	<u>For the Three Months Ended</u>	<u>For the Three Months Ended</u>
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 8,324	\$ 6,546
Buildings	12,623	9,486
Transportation Equipment (Business vehicles)	-	29
	<u>\$ 20,947</u>	<u>\$ 16,061</u>

C. The Group's right-of-use assets increased \$14,261 and \$447,702 for the three months ended March 31, 2023 and 2022, respectively.

D. The profit and loss item related to the lease contract is as follows:

	<u>For the Three Months Ended</u>	<u>For the Three Months Ended</u>
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<u>Items affecting profit and loss:</u>		
Interest expense on lease liabilities	\$ 2,340	\$ 1,694
Expense on short-term lease contracts	339	2,516

E. The Group's right-of-use assets increased \$6,929 and \$9,101 for the three months ended March 31, 2023 and 2022, respectively.

(7) Other current assets and other non-current assets

<u>Item</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current:			
Financial assets at amortized cost - Restricted bank deposits	\$ 34,857	\$ 5,410	\$ 1,779
Financial assets at amortized cost - Time deposits	243,610	155,716	-
Others	54,155	50,322	69,725
Total	<u>\$ 332,622</u>	<u>\$ 211,448</u>	<u>\$ 71,504</u>

Item	March 31, 2023	December 31, 2022	March 31, 2022
Non-current:			
prepayments for land and equipment	\$ 58,421	\$ 70,313	\$ 78,559
Refundable deposits	28,575	28,692	26,999
Others	3,517	12,893	25,507
Total	<u>\$ 90,513</u>	<u>\$ 111,898</u>	<u>\$ 131,065</u>

Note: For other current assets and other non-current assets provided by the Group as collateral as of March 31, 2023, December 31, 2022 and March 31, 2022, please refer to Note 8.

(8) Short-term borrowings

Loans Type	March 31, 2023	Interest rate range	Collateral
Credit loans	\$ 3,076,150	1.400%~5.250%	Note
Loans Type	December 31, 2022	Interest rate range	Collateral
Credit loans	\$ 3,476,180	1.403%~4.890%	Note
Loans Type	March 31, 2022	Interest rate range	Collateral
Credit loans	\$ 3,676,250	0.670%~0.948%	Note

Note: For property, plant and equipment provided by the Group as collateral as of March 31, 2023, December 31, 2022 and March 31, 2022, please refer to Note 8.

(9) Other payables

	March 31, 2023	December 31, 2022	March 31, 2022
Accrued salaries	\$ 535,355	\$ 934,168	\$ 501,371
Payables on equipment	255,539	498,157	476,558
Dividends	1,368,127	227,705	784,813
Others	221,734	246,148	227,337
	<u>\$ 2,380,755</u>	<u>\$ 1,906,178</u>	<u>\$ 1,990,079</u>

(10) Bonds payable

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic fifth unsecured convertible corporate bonds	\$ 26,500	\$ 27,200	\$ 500,000
Less: Discount on corporate bonds payable	(121)	(208)	(8,519)
Subtotal	26,379	26,992	491,481
Less: Current bonds payable(Current portion of long-term liabilities)	(26,379)	(26,992)	(491,481)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The fifth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on April 30, 2020, were as follows:

A. The conditions for issuing the fifth unsecured convertible corporate bonds of the Company were as follows:

(A) With the approval of the competent authority, the Company raised and issued the 5th unsecured convertible corporate bonds in Taiwan, totaling \$500,000, with a par value of \$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from August 17, 2020 to August 17, 2023. When the convertible corporate bond matures, it will be repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on August 17, 2020.

- (B) The convertible corporate bondholder 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 bondholder are the same as those of the original common stock.
- (C) The conversion price of the convertible corporate bond is set at \$112 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 40 days before the convertible corporate bond is issued 2 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 recovered (including purchased from the Securities Merchants Business Offices), repaid or converted convertible corporate bond will be revoked, no longer be sold or issued, and the attached conversion rights will be revoked accordingly.
- B. As of March 31, 2023, the convertible corporate bond of \$473,500 was converted to 4,535 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 Company distributes cash dividends on the common stock, the Company should adjust the conversion price of this bond based on the ratio of current price per share on the ex-dividend date according to the prescribed formula. At present, the conversion price for the convertible corporate bond is \$102.1 per share.
- C. 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 options." The balance on March 31, 2023 was \$2,555. 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 economic characteristics and risk is not closely related, so it is separated and list as the net account of "financial assets or financial liabilities at fair value through profit or loss." The effective interest rate of the principal contract obligation after separation is 1.261%.

(11) Long-term borrowings

The Group had no long-term borrowings as of March 31, 2023 and 2022.

<u>Loans Type</u>	<u>Loans period and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2022</u>
Credit loans	Monthly interest payment from June 7, 2022 to June 7, 2023; principal can be repaid at any time.	0.7411%	None	<u>\$ 100,000</u>

(12) Other non-current liabilities

Item	March 31, 2023	December 31, 2022	March 31, 2022
Non-Current:			
Deferred government grant income	\$ 115,321	\$ 116,626	\$ 120,758
Other non-current liabilities, others	92,934	93,348	94,732
Total	\$ 208,255	\$ 209,974	\$ 215,490

(13) Pension

- A. Since July 1, 2005, the Group's subsidiaries in Taiwan 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 Bureau of Labor Insurance, 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 pension. For the three months ended March 31, 2023 and 2022, the pensions recognized by the Group in accordance with the above regulations were \$2,063 and \$1,800 respectively.
- B. In accordance with the regulations of the People's Republic of China, the Group's subsidiaries in China set aside the pension, monthly at 16%~19% of the total local staff's salaries (Sunny and Sunshine: 16%~18%; Sunsmile: 16%~19%; Fujian Laya 16%). Each employee's monthly pension is managed and arranged by the government, and the Group is solely obliged to set aside the pension. For the three months ended March 31, 2023 and 2022, the pensions recognized by the Group's subsidiaries in China in accordance with the above regulations were \$30,067 and \$25,838 respectively.
- C. The Group's subsidiaries in Vietnam are subject to the relevant local regulations. According to the local government regulations, the pension fund for employees' retirement pension is payable monthly 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 three months ended March 31, 2023 and 2022, the pensions recognized by the Group in accordance with the above regulations were \$57,072 and \$41,708 respectively.
- D. The Group's subsidiaries in Cambodia are subject to the relevant local regulations. According to the local government regulations, the pension fund for employees' retirement pension is payable monthly 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 three months ended March 31, 2023, the pensions recognized by the Group in accordance with the above regulations is \$6,115 respectively.

(14) Share capital

- A. On March 31, 2023, the Company's rated capital was \$3,000,000, divided into 300 million shares, the paid-in-capital was \$1,907,303 with a par value of \$10 (in dollars) per share.

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

	Unit: Thousand Shares	
	2023	2022
January 1	190,064	185,535
Conversion of convertible bonds	6	-
March 31	190,070	185,535

B. Treasury Stock

(A) Reason and quantity of share recovery

		March 31, 2023	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	\$ 57,583

		December 31, 2022	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	\$ 57,583

		March 31, 2022	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	\$ 57,583

(B) According to the Securities and Exchange Act, the number of shares bought back under shall not exceed 10% of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back shall not exceed the amount of retained earnings plus premium on capital stock plus realized capital surplus.

(C) According to the Securities and Exchange Act, treasury stocks held by the Company shall not be pledged; before the transfer, the shareholder's rights shall not be enjoyed.

(D) According to the Securities and Exchange Act, the shares bought back by the Company shall be transferred to employees within 5 years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the Company, and amendment registration shall be processed for cancellation. Where the buyback is required to maintain the company's credit and shareholders' rights and interests, amendment registration for cancellation shall be retired within six months from the date of buyback.

(15) Capital surplus

A. 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 and Exchange Act, the above capital surplus is limited to 10% of the total amount of paid-in-capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The changes in capital surplus were as follows:

	2023			
	Issue Premium	Stock Options	Others	Total
January 1	\$ 5,674,184	\$ 2,622	\$ 546	\$ 5,677,352
Convertible corporate bonds converted to common stocks	695	(67)	-	628
January 1 and March 31	<u>\$ 5,674,879</u>	<u>\$ 2,555</u>	<u>\$ 546</u>	<u>\$ 5,677,980</u>

	2022			
	Issue Premium	Stock Options	Others	Total
January 1 and March 31	<u>\$ 5,207,597</u>	<u>\$ 48,201</u>	<u>\$ 546</u>	<u>\$ 5,256,344</u>

(16) Retained Earnings

A. Under the Company's Articles of Incorporation, stipulating that the Company may, at the end of each semi-fiscal year, distribute earnings in the form of stock dividends upon supermajority resolution in the shareholders' meeting or in the form of cash dividends upon the Board of Directors' resolution. The company shall not set aside exceeding than 3% and lower than 0.1% of the remaining earnings as directors' remuneration and less than 3% of the remaining profits as bonuses to the employees of the Company and subsidiaries. The Company shall make up the loss when company still has accumulated losses. The Company shall (1) first make up the loss

over the years, set aside a legal surplus reserve at 10% of the remaining earnings until the accumulated legal surplus reserve equals the Company's paid-in-capital; (2) set aside a special surplus reserve in accordance with the rules of the public offering company or at the request of the competent authority.

- B. When the Company's earnings are distributed, dividends distributed to shareholders should not be less than the balance of the remaining earnings net of 20% of the amounts in the preceding (1) (2), wherein the cash dividend issued should not be less than 20% of the dividends.
- C. In accordance with the Articles of Incorporation, the Company shall not distribute 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 surplus reserve is more than 25% of paid-in-capital, only the legal surplus reserve shall be accumulated as the above allocation and shall be limited to the portion of the legal surplus reserve in excess of 25% of the paid-in-capital.
- D. (A) When the Company distributes earnings, it should make special surplus reserve accumulated in respect of the debit balance of other equity on the balance sheet date in accordance with the provisions of the laws. When the debit balance of subsequent other equity is reversed, the amount reversed may be included in the earnings available for distribution.
- (B) Upon the first application of the IFRSs, a special surplus reserve set aside in letter No. 1010012865 issued by the FSC on April 6, 2012 is to be reversed when the Company subsequently uses, disposes of or reclassifies the related assets.
- E. The appropriations of earnings for 2021 which have been resolved in the shareholders' meeting on May 27, 2022 respectively, were as follows:

	<u>For the second half year of 2021</u>	<u>For the first half year of 2021</u>
Board resolution date	February 25, 2022	December 28, 2021
Legal reserve appropriated	\$ 72,997	\$ 45,520
(Reversal) Allowance for Special reserve	(\$ 47,824)	\$ 138,079
Cash dividends	\$ 556,605	\$ 228,208
Dividends per share (NT\$)	\$ 3.00	\$ 1.23

- F. The appropriations of earnings for 2022 which have been resolved by the Board of Directors, were as follows:

	<u>For the second half year of 2022</u>	<u>For the first half year of 2022</u>
Board resolution date	February 23, 2023	December 28, 2022
Legal reserve appropriated	\$ 189,788	\$ 149,770
Reversal for Special reserve	(\$ 151,555)	(\$ 372,585)
Cash dividends	\$ 1,140,422	\$ 227,705
Dividends per share (NT\$)	\$ 6.00	\$ 1.20

In accordance with the FSC Letter No.1010012865 dated April 6, 2012, for the net deduction to other shareholders' equity, the special surplus reserve of the same amount that is set aside from profit or loss and undistributed earnings should not be distributed; however, the Company has set aside special surplus reserve upon the first application of the IFRSs, and should therefore set aside a special surplus reserve to make up the difference between the amount already set aside and the net deduction to other shareholders' equity.

Before the record date of the appropriations of interim earnings for the second half year of 2021, due to the conversion of convertible corporate bonds, on February 25, 2022, the Board of Directors resolved to authorize the chairman to handle the adjustment of the dividend rate for shareholders to NT\$2.94 per share.

Before the record date of the appropriations of interim earnings for the first half year of 2022, due to the conversion of convertible corporate bonds, on December 28, 2022, the Board of

Directors resolved to authorize the chairman to handle the adjustment of the dividend rate for shareholders to NT\$1.198 per share.

Before the record date of the appropriations of interim earnings for the second half year of 2022, if the number of outstanding shares is affected by the conversion of convertible corporate bonds, the issuance of restricted stock for employees, or other factors, resulting in a change in shareholders' dividends and a need for modification, it should be reported to the Board of Directors, which should authorize the Chairman to act at his/her own discretion.

The amount of the surplus on 2022 reserve and special surplus reserve will be decided by the shareholders' meeting on May 30, 2023.

For more information on the distribution of earnings resolved in the shareholders' meeting, refer to the "Market Observation Post System" of Taiwan Stock Exchange Corporation.

(17) Operating revenue

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Revenue from Contracts with Customers	\$ 5,053,564	\$ 4,527,115

A. Breakdown of Customer Contract Income

The income of the Group originates from the transfer of goods at a certain point. For relevant information, please refer to Note 14(3).

B. Contract liabilities

The contract liabilities related to customer contract income recognized by the Group were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities				
- Advance sales receipts	\$ 80,800	\$ 76,777	\$ 73,896	\$ 76,092

Revenue recognized that was included in the contract liability balance at the beginning of the period:

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Revenue recognized that was included in the contract liability balance at the beginning of the period - Advance sales receipts	\$ 56,744	\$ 51,189

(18) Interest revenue

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Interest on bank deposits	\$ 5,956	\$ 2,162

(19) Other income

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Government grant	\$ 6,222	\$ 1,879
Other revenue - others	13,072	13,750
	\$ 19,294	\$ 15,629

(20) Other gains and losses

	<u>For the Three Months Ended March 31, 2023</u>	<u>For the Three Months Ended March 31, 2022</u>
(Losses) gains on disposal of property, plant and equipment	(\$ 1,498)	\$ 46
Foreign exchange (losses) gains	(42,201)	49,954
Gains on financial assets and liabilities measured at fair value through profit and loss	1,012	865
Other losses	(6,232)	(3,199)
	<u>(\$ 48,919)</u>	<u>\$ 47,666</u>

(21) Finance Costs

	<u>For the Three Months Ended March 31, 2023</u>	<u>For the Three Months Ended March 31, 2022</u>
Bank borrowings	\$ 27,871	\$ 6,682
Convertible bonds	83	1,525
Lease liabilities	2,340	1,694
	<u>\$ 30,294</u>	<u>\$ 9,901</u>

(22) Expenses Expressed by Nature

	<u>For the Three Months Ended March 31, 2023</u>	<u>For the Three Months Ended March 31, 2022</u>
Employee benefits		
Salary	\$ 1,297,063	\$ 1,281,942
Labor and health insurance	51,547	41,178
Pension	95,317	69,346
Others	21,805	24,804
	<u>1,465,732</u>	<u>1,417,270</u>
Depreciation	264,462	213,558
Amortization	5,058	3,836
	<u>\$ 1,735,252</u>	<u>\$ 1,634,664</u>

A. According to the Articles of Incorporation, the Company may allocate a surplus not exceeding 3% of the remaining surplus as the directors' remuneration and 0.1%~3% of the remaining profits as employees' bonuses for the employees of the Company and subsidiaries.

B. The employees' compensation and directors' remuneration estimate of the Company in the year ended March 31, 2023 and 2022 were \$5,000 and \$2,500, respectively. The above employees' bonuses and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as net income as of the current period after consideration of the legal surplus reserve.

The employees' bonuses and directors' remuneration for the year ended December 31, 2022 approved by the Board of Directors are consistent with those recognized in the financial statements for the year ended December 31, 2022.

Information on employees' bonuses and directors' remuneration approved by the Board of Directors is available on the MOPS.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the Three Months Ended March, 2023</u>	<u>For the Three Months Ended March, 2022</u>
Current tax:		
Current tax on profits for the period	\$ 138,908	\$ 147,285
Underestimated (overestimated) income tax in prior periods	329	(2,266)
Total current tax	<u>139,237</u>	<u>145,019</u>
Deferred tax:		
Origination and reversal of temporary differences	7,081	9,967
Total deferred tax	<u>7,081</u>	<u>9,967</u>
Income tax expense	<u>\$ 146,318</u>	<u>\$ 154,986</u>

B. The profit-seeking enterprise income tax returns of Capital Concord Enterprises Limited (H.K.), Taiwan Branch for the year ended December 31, 2020 have been approved by the tax authorities.

(24) Earnings per share

	<u>For the Three Months Ended March 31, 2023</u>		
	<u>After-tax amount</u>	<u>Weighted average number of shares in circulation (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 474,464	190,068	\$ 2.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	474,464	190,068	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	83	262	
Employee bonus	-	196	
Profit attributable to ordinary shareholders of the parent plus effect of dilutive potential ordinary shares	<u>\$ 474,547</u>	<u>190,526</u>	<u>\$ 2.49</u>

	For the Three Months Ended March 31, 2022		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 536,247	185,535	\$ 2.89
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	536,247	185,535	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	1,525	4,776	
Employee bonus	-	104	
Profit attributable to ordinary shareholders of the parent plus effect of dilutive potential ordinary shares	\$ 537,772	190,415	\$ 2.82

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Additions to property, plant and equipment	\$ 134,143	\$ 439,710
Less: Prepayments for land and equipment, beginning of period	(70,313)	(72,811)
Add: Prepayments for land and equipment, end of period	58,421	78,559
Add: Payables on equipment, beginning of period	498,157	313,476
Less: Payables on equipment, end of period	(255,539)	(476,558)
Cash paid during the period	\$ 364,869	\$ 282,376

B. Financing activities with no cash flow effects:

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Share capital converted from convertible corporate bonds	\$ 68	\$ -
Declared cash dividends not yet paid	\$ 1,368,127	\$ 784,813

(26) Changes in liabilities from financing activities

	<u>Long and short-term borrowings</u>	<u>Lease liabilities</u>	<u>Convertible corporate bonds (Note)</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1, 2023	\$ 3,476,180	\$ 964,040	\$ 26,992	\$ 227,705	\$ 4,694,917
Changes in cash flows from financing	(370,017)	(6,590)	-	-	(376,607)
Changes in other non-cash items	-	7,532	(613)	1,140,422	1,147,341
Impact of changes in foreign exchange rate	(30,013)	(3,146)	-	-	(33,159)
March 31, 2023	<u>\$ 3,076,150</u>	<u>\$ 961,836</u>	<u>\$ 26,379</u>	<u>\$ 1,368,127</u>	<u>\$ 5,432,492</u>

	<u>Long and short-term borrowings</u>	<u>Lease liabilities</u>	<u>Convertible corporate bonds (Note)</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1, 2022	\$ 3,222,600	\$ 492,505	\$ 489,956	\$ 228,208	\$ 4,433,269
Changes in cash flows from financing	437,615	(6,585)	-	-	431,030
Changes in other non-cash items	-	394,040	1,525	556,605	952,170
Impact of changes in foreign exchange rate	116,035	22,785	-	-	138,820
March 31, 2022	<u>\$ 3,776,250</u>	<u>\$ 902,745</u>	<u>\$ 491,481</u>	<u>\$ 784,813</u>	<u>\$ 5,955,289</u>

Note : The portion due within one year is included.

7. Related Party Transactions

Key management compensation

	<u>For the Three Months Ended March 31, 2023</u>	<u>For the Three Months Ended March 31, 2022</u>
Short-term employee benefits	\$ 22,165	\$ 15,077

8. Pledged Assets

Assets	Book amount			Guarantee use
	March 31, 2023	December 31, 2022	March 31, 2022	
Land	\$ 108,861	\$ 109,791	\$ 102,337	Short-term borrowings
Buildings	153,051	155,393	149,529	Short-term borrowings
Financial assets at amortized cost (recognized in other current assets and other non-current assets)	37,239	7,800	5,523	Performance bond and performance guarantee of the power supply agreement
Refundable deposits (recognized in other non-current assets)	28,575	28,692	26,999	Plants lease deposits and others
	<u>\$ 327,726</u>	<u>\$ 301,676</u>	<u>\$ 284,388</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Total contract price		
	March 31, 2023	December 31, 2022	March 31, 2022
Property, plant and equipment	<u>\$ 330,385</u>	<u>\$ 635,865</u>	<u>\$ 1,009,696</u>

	Outstanding amount		
	March 31, 2023	December 31, 2022	March 31, 2022
Property, plant and equipment	<u>\$ 121,220</u>	<u>\$ 159,449</u>	<u>\$ 174,273</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

In order to stabilize and expand the blueprint of the Group's production capacity layout, and strengthen the growth momentum of medium and long-term operations, the Group plans to invest in a new Vietnamese shoe-making factory. Therefore, the subsidiary Capital Concord Enterprises Limited and a Vietnamese non-relationship on April 17, 2023 signed an equity transfer contract to transfer 100% equity of TPL Garment Co., Ltd., with a total transfer price of VND \$76 billion (NT\$99,351 thousand).

12. Others

(1) Capital management

There are no significant changes in this period, please refer to Note 12 consolidated financial statements in 2022.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets</u>			
Financial assets at fair value through profit and loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 6,969	\$ 5,938	\$ 7,322
Financial assets designated at fair value through profit or loss	8	27	450
	<u>\$ 6,977</u>	<u>\$ 5,965</u>	<u>\$ 7,772</u>
Financial assets at amortized cost/ loans and receivables			
Cash and cash equivalents	\$ 2,245,177	\$ 2,195,379	\$ 1,438,256
Accounts receivable	3,398,509	4,229,321	3,342,669
Other receivables	444,037	433,399	237,136
Financial assets at amortized cost - current	278,467	161,126	1,779
Refundable deposits	28,575	28,692	26,999
Financial assets at amortized cost - non-current	2,382	2,390	3,744
	<u>\$ 6,397,147</u>	<u>\$ 7,050,307</u>	<u>\$ 5,050,583</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 3,076,150	\$ 3,476,180	\$ 3,676,250
Accounts payable	2,021,962	2,942,863	2,790,871
Other payables	2,380,755	1,906,178	1,990,079
Long-term borrowings	-	-	100,000
Corporate bonds payable	26,379	26,992	491,481
	<u>\$ 7,505,246</u>	<u>\$ 8,352,213</u>	<u>\$ 9,048,681</u>
Lease liabilities (current and non-current)	<u>\$ 961,836</u>	<u>\$ 964,040</u>	<u>\$ 902,745</u>

B. Risk management policy

- (A) 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 strives to identify, assess, and avoid market uncertainties, so as to minimize the potential adverse effects on the financial performance of the Company.
- (B) 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.

C. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange 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 are mainly the USD and RMB, and partially the VND and IDR. The relevant exchange rate risk arises from future commercial transactions, 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 instrument can be used to assist the Group in reducing but not entirely eliminating the impact of foreign currency exchange rate movements.
- 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 currencies are RMB, USD, VND and IDR); as a consequence, it is subject to exchange rates fluctuation. Assets and liabilities that are denominated in foreign currencies and significantly affected by the exchange rates fluctuation and market risk were as follows:

March 31, 2023

(Foreign currency: functional currency)	Sensitivity Analysis						
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD: RMB	\$ 134,957	6.8747	\$ 4,109,438	1%	\$ 41,094	\$	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
NTD: USD	\$ 1,744,740	0.0328	\$ 1,744,740	1%	\$ 17,447	\$	-

December 31, 2022

(Foreign currency: functional currency)	Sensitivity Analysis						
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD: RMB	\$ 136,483	6.9026	\$ 4,191,390	1%	\$ 41,914	\$	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
NTD:USD	\$ 1,915,207	0.0326	\$ 1,915,207	1%	\$ 19,152	\$	-

March 31, 2022

(Foreign currency: functional currency)	Sensitivity Analysis						
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD: RMB	\$ 116,467	6.3400	\$ 3,333,870	1%	\$ 33,339	\$	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
NTD: USD	\$ 1,563,571	0.0349	\$ 1,563,571	1%	\$ 15,636	\$	-

- d. The Group's monetary items were significantly impacted by the exchange rate changes, and the total exchange losses and gains (including realized and unrealized) for the three months ended March 31, 2023 and 2022 were (\$42,201) and \$49,954 respectively.

Price risk

- a. The Group's equity instruments exposed to price risk are financial assets at fair value through profit or loss. To manage the price risk of investment in equity instruments, the Group diversifies its portfolio based on the limits set by the Group.
- b. The Group's investments in equity instruments comprise domestic publicly quoted entities, and the prices of these equity instruments are affected by uncertainties in the future value of the investment targets. If the prices of these equity instruments were 5% higher or lower, with all other variables held constant, the Group's net income for the three months ended March 31, 2023 and 2022 from gains or losses on equity instruments mandatorily measured at fair value through profit or loss would have increased or decreased \$348 and \$366 respectively.

Cash flow and fair value interest rate risk

- a. The Group's interest rate risk arises primarily from the short-term borrowings, and long-term borrowings issued at floating rates, which exposes the Group to the cash flow interest rate risk. For the three months ended March 31, 2023 and 2022, the Group's loans issued at floating rates were mainly denominated in NTD and USD.
- b. The Group's loans 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 increased or decreased 0.1%, with all other variables held constant, net income for the three months ended March 31, 2023 and 2022 would have decreased or increased \$615 and \$755 respectively, due to the changes in interest expenses caused by the loans issued at floating rates.

(B) Credit risk

- a. The Group's credit risk is primarily attributable to the Group's financial loss from customers' or financial instruments' counterparties' failure to fulfill contractual obligations. The main reason is that the counterparties are unable to settle the accounts receivable per 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 is evaluated by considering its financial situation, past experience and other factors to 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 for 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 will determine 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 a simplified approach to estimate expected credit losses based on the 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 had no creditors' rights that had been written off but still could be recourse as of March 31, 2023, December 31, 2022 and March 31, 2022.
- h. The Group adjusts the loss rate established on the history of certain periods and current information for prospective considerations to estimate the loss allowance for accounts receivable. The reserve matrixes as of March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

March 31, 2023	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 3,021,105	\$ -
Overdue 0 to 90 days	1.17%	373,990	4,368
Overdue 91 to 180 days	15.58%	7,579	1,181
Overdue 181 to 365 days	49.96%	2,766	1,382
Over 365 days past due	100.00%	8,520	8,520
individual assessment	100.00%	36,793	36,793
Total		<u>\$ 3,450,753</u>	<u>\$ 52,244</u>

December 31, 2022	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 3,869,409	\$ -
Overdue 0 to 90 days	1.13%	350,406	3,946
Overdue 91 to 180 days	16.40%	14,408	2,363
Overdue 181 to 365 days	47.52%	2,681	1,274
Over 365 days past due	100.00%	8,560	8,560
Total		<u>\$ 4,245,464</u>	<u>\$ 16,143</u>

March 31, 2022	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 2,964,219	\$ -
Overdue 0 to 90 days	1.40%	370,918	5,190
Overdue 91 to 180 days	22.18%	13,776	3,056
Overdue 181 to 365 days	50.11%	4,013	2,011
Over 365 days past due	100.00%	16,749	16,749
Total		<u>\$ 3,369,675</u>	<u>\$ 27,006</u>

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

	2023	2022
	Accounts receivable	Accounts receivable
January 1	\$ 16,143	\$ 27,150
Allowance (reversal) of impairment loss	36,179 (1,048)
Effect of foreign exchange	(78)	904
March 31	<u>\$ 52,244</u>	<u>\$ 27,006</u>

(C) 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 March 31, 2023, December 31, 2022 and March 31, 2022 the Group had unused borrowing facilities of \$6,685,525, \$3,990,200 and \$2,701,375, 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:

March 31, 2023	Less than 6 Months	7 to 12 Months	1 to 2 years	2 to 5 years	More than 5 years
Short-term borrowings	\$ 2,679,326	\$ 403,517	\$ -	\$ -	\$ -
Accounts payable	2,021,962	-	-	-	-
Other payables	2,343,999	36,756	-	-	-
Corporate bonds payable	26,500	-	-	-	-
Lease liabilities	12,343	20,848	47,192	181,651	770,875

Non-derivative financial liabilities:

December 31, 2022	Less than 6 Months	7 to 12 Months	1 to 2 years	2 to 5 years	More than 5 years
Short-term borrowings	\$ 2,981,279	\$ 505,580	\$ -	\$ -	\$ -
Accounts payable	2,942,863	-	-	-	-
Other payables	1,857,116	49,062	-	-	-
Corporate bonds payable	-	27,200	-	-	-
Lease liabilities	11,434	18,056	46,087	178,046	784,450

Non-derivative financial liabilities:

March 31, 2022	Less than 6 Months	7 to 12 Months	1 to 2 years	2 to 5 years	More than 5 years
Short-term borrowings	\$ 3,318,265	\$ 362,005	\$ -	\$ -	\$ -
Accounts payable	2,790,871	-	-	-	-
Other payables	1,947,581	42,498	-	-	-
Long-term borrowings	-	-	100,879	-	-
Corporate bonds payable	500,000	-	-	-	-
Lease liabilities	4,633	5,756	30,728	149,071	785,290

(3) Fair value information

A. 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 included in Level 2.

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

B. Financial instruments not measured at fair value

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

	<u>March 31, 2023</u>	
		<u>Fair Value</u>
	<u>Carrying amount</u>	<u>Level 3</u>
Corporate bonds payable	<u>\$ 26,379</u>	<u>\$ 26,430</u>

	<u>December 31, 2022</u>	
		<u>Fair Value</u>
	<u>Carrying amount</u>	<u>Level 3</u>
Corporate bonds payable	<u>\$ 26,992</u>	<u>\$ 27,016</u>

	<u>March 31, 2022</u>	
		<u>Fair Value</u>
	<u>Carrying amount</u>	<u>Level 3</u>
Corporate bonds payable	<u>\$ 491,481</u>	<u>\$ 491,311</u>

(B) The methods and assumptions used to estimate fair value were 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.

C. 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:

March 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 6,969	\$ -	\$ -	\$ 6,969
- Redemption right of convertible corporate bonds	-	-	8	8
Total	<u>\$ 6,969</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 6,977</u>

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 5,938	\$ -	\$ -	\$ 5,938
- Redemption right of convertible corporate bonds	-	-	27	27
Total	<u>\$ 5,938</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 5,965</u>

March 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 7,322	\$ -	\$ -	\$ 7,322
- Redemption right of convertible corporate bonds	-	-	450	450
Total	<u>\$ 7,322</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ 7,772</u>

D. The methods and assumptions the Group used to measure fair value were as below:

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

E. There was no transfer between Level 1 and Level 2 for the three months ended March 31, 2023 and 2022.

F. The following table shows the changes for the three months ended March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	<u>Non-derivative equity instruments</u>	<u>Non-derivative equity instruments</u>
January 1	\$ 27	(\$ 700)
Gains or losses recognized in profit or loss (Note)	(19)	1,150
March 31	<u>\$ 8</u>	<u>\$ 450</u>

Note: Recognized in other gains and (losses).

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

H. 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:

	<u>Fair value as of March 31, 2023</u>	<u>Evaluation techniques</u>	<u>Significant unobservable inputs</u>	<u>Interval (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid Instruments: Redemption right of corporate bonds	\$ 8	Binomial tree evaluation model	Volatility	42.58%	The higher the volatility, the higher the fair value.
	<u>Fair value as of December 31, 2022</u>	<u>Evaluation techniques</u>	<u>Significant unobservable inputs</u>	<u>Interval (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid Instruments: Redemption right of corporate bonds	\$ 27	Binomial tree evaluation model	Volatility	41.71%	The higher the volatility, the higher the fair value.
	<u>Fair value as of March 31, 2022</u>	<u>Evaluation techniques</u>	<u>Significant unobservable inputs</u>	<u>Interval (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid Instruments: Redemption right of corporate bonds	\$ 450	Binomial tree evaluation model	Volatility	38.33%	The higher the volatility, the higher the fair value.

- I. 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 Level 3, if the evaluation parameters change, the impact on current profits and losses were as follows:

		March 31, 2023		
		Recognized in Profit or Loss		
		Favorable change	Unfavorable change	
	Input value	Change		
Financial Liabilities				
Hybrid instruments	Volatility	±5%	\$ 8	(\$ 3)
		December 31, 2022		
		Recognized in Profit or Loss		
		Favorable change	Unfavorable change	
	Input value	Change		
Financial Liabilities				
Hybrid instruments	Volatility	±5%	\$ 11	(\$ 8)
		March 31, 2022		
		Recognized in Profit or Loss		
		Favorable change	Unfavorable change	
	Input value	Change		
Financial Liabilities				
Hybrid instruments	Volatility	±5%	\$ 150	(\$ 150)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to Others: Please refer to Appendix 1.
- B. Provision of endorsements and guarantees to others: Please refer to Appendix 2.
- C. Holding of marketable securities at the end of the period (Not including subsidiaries, associates, and joint ventures): Please refer to Appendix 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Appendix 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Appendix 5.
- I. Derivatives transactions: Please refer to Note 6(2).
- J. Parent-subsidiary and Subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Appendix 6.

(2) Information on reinvested business

Information on invested companies (not including investee companies in Mainland China): Please refer to Appendix 7.

(3) Information on investments in Mainland China

- A Basic information: Please refer to Appendix 8.

B Significant transactions with investee companies in Mainland China directly or indirectly through entities in a third area: Please refer to Note 13(1).

(4) Major shareholders information:

Major shareholders information: Please refer to Appendix 9.

14. Segment Information

(1) General information

The principal business of the Group is the production and sale of sports and leisure outdoor shoes. The Group's Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Department information

The Board of Directors evaluates the performance of the operating segments based on each quarter financial statements.

(3) Reconciliation of segment revenue and profit or loss

The Group has only one reportable operating segment. There was no reconciliation, since the segment revenue and profit are reported to the financial statements by revenue and profit.

(Blank Below)

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

Loans to others

For the Three Months Ended March 31, 2023

Appendix 1

Unit: NT\$ Thousand

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Amount Actually			Nature of loan	Transaction short-term financing	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	
						Ending Balance	Drawn	Interest rate					Item	Value				
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Y	\$ 456,761	\$ 456,761	\$ 456,761	1.5%-1.8%	Short-term financing	\$ -	Operating capital	\$ -	-	None	\$ -	\$ 899,180	\$ 1,123,976	Notes 4 & 5
2	NGOC HUNG Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	Other receivables	Y	390,437	390,437	390,437	3.2%	Short-term financing	-	Build factory for sister company	-	-	None	\$ -	660,441	750,551	Notes 4 & 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 Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD=30.4021, respectively.

Note 5: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Provision of Endorsements and Guarantees to Others
For the Three Months Ended March 31, 2023

Unit: NT\$ Thousand
(Unless Otherwise Specified)

Appendix 2

No. (Note 1)	Endorser/ Guarantor	Company Name	Relation (Note 2)	Party Being Endorsed/Guaranteed		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 China	Note
				Limit on Endorsements/ Guarantees Provided for a Single Party (Note 3)	Maximum Outstanding Endorsement/ Guarantee Amount for the Period									
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	4	\$ 7,802,972	\$ 152,400	\$ 152,250	\$ -	\$ -	1.27%	\$ 10,403,962	Y	N	N	Note 5 & 6

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company and subsidiaries are as follows:

(1) For the issuer, fill in "0".

(2) Investee companies are numbered in order starting from "1."

Note 2: The relationship between the endorser/guarantor and the party endorsed/guaranteed is classified into the following seven categories (mark the category number only):

(1) A company with which the Company conducts business.

(2) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.

(3) A company which directly, and indirectly, holds more than 50% of the voting shares in the Company.

(4) Companies in which the Company directly, and indirectly, holds more than 90% of the voting shares.

(5) A company fulfilling its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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 Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD = 30.4021, respectively.

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

Holding of Marketable Securities (Not Including Subsidiaries, Associates, and Joint Ventures)

March 31, 2023

Appendix 3

Securities Held by	Marketable Securities (Note 1)	Relationship with the Securities Issuer	General Ledger Account	End of Period			Unit NT\$ thousand (Unless Otherwise Specified)	
				Number of Shares	Book Value	Ratio of Shareholding	Fair Value	Note
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN) Co., Ltd.	None	Financial Assets at Fair Value through Profit or Loss - Non-current	196,315	\$ 6,969	0.61	\$ 6,969	-

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 \$100 Million or 20% of Paid-in Capital or More

For the Three Months Ended March 31, 2023

Appendix 4

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Transaction Details				Unusual Trade Conditions and Its Reasons (Note)		Notes and Accounts Receivable (Payable)		
			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.	Subsidiary	Purchase	\$ 698,019	17.52%	180 days after purchase	Note 1	Note 1	(\$ 2,053,612)	-101.57%	Note 2 & 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	392,235	9.84%	180 days after purchase	Note 1	Note 1	(776,304)	-38.39%	Note 2 & 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	114,436	2.87%	90 days after purchase	Note 1	Note 1	(188,204)	-9.31%	Note 2 & 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	1,165,533	29.25%	120 days after purchase	Note 1	Note 1	(171,059)	-8.46%	Note 2 & 3
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiary	Purchase	665,500	16.70%	120 days after invoices issued	Note 1	Note 1	(362,274)	-17.92%	Note 2 & 3
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Subsidiary	Purchase	102,087	2.56%	120 days after invoices issued	Note 1	Note 1	(143,609)	-7.10%	Note 2 & 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(322,824)	-6.39%	135 days after shipment	Note 1	Note 1	-	-	Note 2 & 3

Note 1: Sales transactions between the Group and related parties are valued based on reasonable profits; thus, selling prices to related parties and those to non-related parties are incomparable. In terms of payment terms, there was no significant difference between related parties and non-related parties.

Note 2: In Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD=30.4021, respectively.

Note 3: Offset in consolidated statements.

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

Receivables from Related Parties Reaching \$100 Million or 20% of Paid-in Capital or More

March 31, 2023

Appendix 5

Unit NT\$ thousand
(Unless Otherwise Specified)

Creditor	Name of the Counterparty	Relationship with the Counterparty	Accounts Receivable		Overdue Receivable		Amount Collected Subsequent to the Reporting Period (Note 1)	Allowance for Bad Debt	Note
			Balance from Related Party	Turnover Rate	Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 2,053,612	1.27	\$ 258,237	Collection after reporting period	\$ 373,914	\$ -	Note 2 & 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	198,716	1.75	2,562	Collection after reporting period	30,720	-	Note 2 & 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	188,204	1.40	67,485	Collection after reporting period	79,872	-	Note 2 & 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	776,304	2.37	79,179	Collection after reporting period	324,403	-	Note 2 & 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	456,761	-	-	-	-	-	Note 2, 3 & 4
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Capital Concord Enterprises Limited	Parent company	171,059	21.96	-	-	165,508	-	Note 2 & 3
NGOC HUNG Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	Sister company	390,437	-	-	-	-	-	Note 2, 3 & 4
Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	362,274	6.25	-	-	168,960	-	Note 2 & 3
NGOC HUNG Footwear Co., Ltd.	Capital Concord Enterprises Limited.	Parent company	143,609	2.32	-	-	49,521	-	Note 2 & 3
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Subsidiary	230,618	-	-	-	227,328	-	Note 2, 3 & 5

Note 1: The subsequent collections represent collections from the balance sheet date to May 5, 2023.

Note 2: In Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD=30.4021, respectively.

Note 3: Offset in consolidated statements.

Note 4: This amount is a loaning of funds in its nature; therefore, the turnover rate will not be calculated.

Note 5: This amount is an other receivables in its nature; therefore, the turnover rate will not be calculated.

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

Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof

For the Three Months Ended March 31, 2023

Appendix 6

Unit NT\$ thousand
(Unless Otherwise Specified)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			Percentage of consolidated total operating revenues or total assets (Note 3)
				General Ledger Account	Amount (Note 5)	Trade terms	
0	Fulgent Sun International (Holding) Co., Ltd	Capital Concord Enterprises Limited	1	Other receivables	\$ 230,618	Note 4	1.07%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd	1	Accounts payable	2,053,612	Note 4	9.54%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	776,304	Note 4	3.61%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	198,716	Note 4	0.92%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	188,204	Note 4	0.87%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts payable	171,059	Note 4	0.79%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Accounts payable	362,274	Note 4	1.68%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	456,761	Note 4	2.12%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	1	Sale	322,824	Note 4	6.39%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	698,019	Note 4	13.81%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	392,235	Note 4	7.76%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	1	Purchase	1,165,533	Note 4	23.06%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	665,500	Note 4	13.17%
2	NGOC HUNG Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	3	Other receivables	390,437	Note 4	1.81%

Note 1: The numbers filled in for parent-subsidiary transactions are described as follows:

- (1) The parent company is numbered "0."
- (2) The subsidiaries are numbered in order starting from "1."

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.)

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Inter-subsidiary.

Note 3: Regarding the percentage of the transaction amount to consolidated total revenues 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 total revenues for profit or loss items.

Note 4: Agreed on by both parties based on market conditions.

Note 5: In Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD=30.4021, 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 Investee Companies (Not Including Investee Companies in Mainland China)

For the Three Months Ended March 31, 2023

Appendix 7

Investee Company	Investor 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)	Unit NT\$ thousand (Unless Otherwise Specified)	
				End of Period	End of Last Year	Number of Shares (Note 1)	Ratio	Book value (Note 3)		Investment gains and losses recognized in the current period (Note 3&5)	Note
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Holding company and Sports Leisure Outdoor Footwear Production and Sales	\$ 6,585,827	\$ 6,585,827	1,733,000,000	100	\$ 13,004,953	\$ 478,702	\$ 478,702	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	3,187,085	79,398	79,398	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	445,848	445,848	-	100	212,833	(808)	(808)	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunzeal Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	136,789	-	-	100	135,212	(1,575)	(1,575)	Subsidiaries (Note 4)
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	2,015,159	1,997,207	-	100	2,776,546	10,775	10,775	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	1,381,778	1,381,735	-	100	1,501,102	(20,971)	(20,971)	Subsidiaries
Capital Concord Enterprises Limited	Eversun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	655,133	655,133	-	100	607,235	(21,099)	(21,099)	Subsidiaries
Capital Concord Enterprises Limited	PT. SUN BRIGHT LESTARI	Indonesia	Sports Leisure Outdoor Footwear Production and Sales	413,633	407,543	-	100	406,078	(1,925)	(1,925)	Subsidiaries
Capital Concord Enterprises Limited	Laya Chemical Engineering Co., Ltd.	Taiwan	Shoes material production	25,500	25,500	-	100	22,802	(1,455)	(1,455)	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	210,447	210,447	-	100	218,051	379	379	Subsidiaries

Note 1: The companies with "-" in the blank had no shares issued.

Note 2: The historical exchange rate was adopted.

Note 3: In Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD=30.4021, respectively.

Note 4: The Group had established Sunzeal in 2023 in Cambodia, and has included it in the consolidated financial statements since then.

Note 5: The basis for recognition in the column of investment gains and losses recognized in the current period is the financial statement reviewed by the parent company's certified accountant.

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

Subsidiaries Information on Investments in Mainland China

For the Three Months Ended March 31, 2023

Appendix 8

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, as of End of Period (Note 5)	Net Income (Loss) of the Investee in Current Period (Note4)	Ownership Held by the Company	Investment Income (Loss) Recognized in Current Period (Notes 4 and 6)	Book Value of Investments in Mainland China, as of End of Period (Note 4)	Unit NT\$ thousand (Unless Otherwise Specified)	
					Remitted to Mainland China	Remitted back to Taiwan						Accumulated Amount of Investment Income Remitted Back to Taiwan, as of End of Period	Note
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	\$ 723,826	2	\$ -	\$ -	\$ -	\$ -	\$ 77,804	100	86,655	\$ 2,799,675	\$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	64,479	100	64,468	2,247,791	-	-
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	20,572	100	20,572	458,879	-	-
Fujian Laya Outdoor Products Co., Ltd.	Import/export trading	40,656	2	-	-	-	-	8,289	100	14,047	279,242	-	-

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 category number):

- (1) Investment in Mainland China companies by remittance through a third region;
- (2) Investment in Mainland China companies through a company established in a third region; or
- (3) Investment in Mainland China companies through an existing investee company in a third region.

Note 3: The historical exchange rate was adopted.

Note 4: In Q1 2023, the exchange rates for assets and profit or loss were USD:NTD=30.4500 and USD:NTD=30.4021, 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\$2,605,976 thousand through re-investment in Hong Kong.

Note 6: Investment income (loss) recognized in current period is based on the financial statements reviewed by the parent company's CPAs.

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

Information on Major Shareholders

March 31, 2023

Appendix 9

Name of Major Shareholder	Shares	
	Number of shares	Percentage of Ownership(%)
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	24,120,151	12.64
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	21,712,465	11.38
Fubon Life Insurance Co., Ltd	11,424,000	5.98

Note: If the company applies to Taiwan Depository & Clearing Corporation for the information in the table, an explanation of the following may be made in the note:

- (1) The table lists the shareholders holding more than 5% of the company's ordinary shares and preference shares delivered in non-physical form (including treasury shares) as of the last business day of the end of each quarter, as calculated by Taiwan Depository & Clearing Corporation. The share capital recorded in the company's financial statements and the company's shares delivered in non-physical form may vary due to different calculation bases.
- (2) If shareholders have their shares in trust of the bank, a trustee's investment account should be indicated individually; for the declaration of an insider's equity exceeding 10% of the company's total equity in accordance with the Securities and Exchange Act, shareholding includes the shares held by a shareholder plus the shares in trust and with the right to decide on their use. For information on the declaration of an insider's equity, please refer to the Market Observation Post System.