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

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Nine Months Ended September 30, 2019 and 2018

(Stock Code: 9802)

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Independent Auditors' Review Report

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

Introduction

The consolidated balance sheet of Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries (the Group) for September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and the consolidated financial report notes (including a summary of significant accounting policies) have been approved by the accountant. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the "Financial Supervisory Commission" to endorse and issue the entry into force of the IAS34 (Interim Financial Reporting) of the International Financial Reporting Standards (IFRSs), the preparation of permissible expression of the consolidated financial reporting is the responsibility of management department, the accountant's responsibility is based on the results of the audit to make a conclusion on the consolidated financial report.

Scope of Review

The accountant performs the review work in line with the "Review of Financial Statement" of the "Statements on Auditing Standards (SASs) No.65, except the persons mentioned in the basis of the reservation conclusion. The procedures to be implemented in the review of consolidated financial reports include enquiries (mainly to persons responsible for financial and accounting matters), analytical procedures and other review procedures. The scope of the review is significantly less than the scope of the verification exercise; therefore, the accountant may not be able to detect all the significant matters that can be identified by checking the work, so it is not possible to express the verification opinion.

Conclusion

Based on the results of the accountant's review, we do not find that the consolidated financial reports are not in all significant respects in line with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the "Financial Supervisory Commission" for IAS34 (Interim Financial Reporting) of the International Financial Reporting Standards which are approved by the Financial Supervisory Commission and issued in force, therefore it is not possible to express properly the consolidated financial condition of Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries (the Group) in September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018.

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

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

November 8, 2019

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 generally accepted auditing standards
As of September 30, 2019 and 2018

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Balance Sheets (CONT'D)
September 30, 2019, December 31, 2018, and September 30, 2018
(Expressed in Thousands of New Taiwan Dollars)

	Assets	Note	September 30, 2019 Amount	%	December 31, 2018 Amount	%	September 30, 2018 Amount	%
	Current assets:							
1100	Cash and cash equivalents	6(A)	$ 1,313,559	11	$ 1,313,073	12	$ 1,416,485	13
1150	Notes receivable, net	6(C)	-	-	-	-	18	-
1170	Accounts receivable, net	6(C)	2,041,193	16	2,140,291	19	1,299,717	12
1200	Other receivables		177,931	1	190,803	2	99,962	1
130X	Inventories	6(D)	2,115,360	17	1,863,144	17	1,745,382	16
1410	Prepayments		85,744	1	77,949	-	80,185	1
1470	Other current assets	6(G)	74,139	1	18,734	-	1,032,536	9
11XX	**Total current assets**		5,807,926	47	5,603,994	50	5,674,285	52
	Non-current assets							
1510	Financial assets at fair value through profit or loss	6(B)	2,573	-	1,854	-	2,454	-
1600	Property, plant and equipment	6(E)&8	5,618,643	45	4,930,269	44	4,656,057	43
1755	Right-of-use assets	6(F)	798,226	7	-	-	-	-
1780	Intangible assets		17,404	-	16,970	-	17,234	-
1840	Deferred income tax assets	6(V)	51,316	-	59,732	1	61,071	1
1900	Other non-current assets	6(G)&8	139,600	1	510,849	5	468,799	4
15XX	**Total non-current assets**		6,627,762	53	5,519,674	50	5,205,615	48
1XXX	**Total assets**		$ 12,435,688	100	$ 11,123,668	100	$ 10,879,900	100

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards
As of September 30, 2019 and 2018

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Balance Sheets (CONT'D)
September 30, 2019, December 31, 2018, and September 30, 2018
(Expressed in Thousands of New Taiwan Dollars)

			September 30, 2019		December 31, 2018		September 30, 2018	
	Liabilities and Equity	**Note**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities							
2100	Short-term loans	6(H)&8	$ 1,265,400	10	$ 1,077,264	10	$ 1,340,642	12
2110	Short-term notes payable		89,998	1	-	-	79,954	1
2130	Contract liabilities	6(Q)	10,134	-	27,619	-	6,096	-
2170	Accounts payable		1,263,890	10	1,010,680	9	921,032	9
2200	Other payables	6(I)	960,482	8	931,344	8	711,489	7
2230	Current income tax liabilities	6(V)	88,032	1	77,513	1	133,437	1
2280	Lease liabilities		33,896	-	-	-	-	-
2300	Other current liabilities	6(J)(L)	15,138	-	250,158	2	259,068	2
21XX	**Total current liabilities**		3,726,970	30	3,374,578	30	3,451,718	32
	Non-Current liabilities:							
2500	Financial liabilities measured at fair value through profit or loss	6(B)	-	-	5,500	-	-	-
2530	Corporate bonds payable	6(J)	241,176	2	971,025	9	-	-
2540	Long term loans	6(K)	-	-	10,000	-	30,000	-
2570	Deferred income tax liabilities	6(V)	3,248	-	945	-	961	-
2580	Lease liabilities		347,206	3	-	-	-	-
2600	Other non-current liabilities	6(L)	215,586	1	224,004	2	1,228,990	11
25XX	**Total non-current liabilities**		807,216	6	1,211,474	11	1,259,951	11
2XXX	**Total liabilities**		4,534,186	36	4,586,052	41	4,711,669	43
	Attributable to the owners of the parent company							
	Share capital	6(N)						
3110	Capital of common stock		1,713,395	14	1,462,735	13	1,462,735	13
3140	Capital collected in advance		-	-	65,886	1	-	-
	Capital surplus	6(O)						
3200	Capital surplus		4,322,187	35	3,377,120	31	3,339,715	31
	Retained earnings	6(P)						
3310	Legal capital reserve		421,155	3	346,855	3	346,855	3
3320	Special capital reserve		420,541	3	446,134	4	446,134	4
3350	Undistributed earnings		1,492,043	12	1,221,151	11	1,038,110	9
	Other equity							
3400	Other equity		(513,654)	(4)	(420,541)	(4)	(473,291)	(4)
3500	**Treasury stock**	6(N)	-	-	-	-	(32,824)	-
31XX	**Total equity attributable to owners of the parent company**		7,855,667	63	6,499,340	59	6,127,434	56
36XX	**Non-controlling interests**		45,835	1	38,276	-	40,797	1
3XXX	**Total Equity**		7,901,502	64	6,537,616	59	6,168,231	57
	Significant subsequent liabilities and unrecognized contract commitments	9						
3X2X	**Total liabilities and equity**		$ 12,435,688	100	$ 11,123,668	100	$ 10,879,900	100

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 generally accepted auditing standards

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three months and nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

			For the three months ended September 30				For the nine months ended September 30			
			2019		2018		2019		2018	
	Item	Note	Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue**	6(Q)	$ 3,449,635	100	$ 2,590,501	100	$ 9,381,623	100	$ 7,375,242	100
5000	**Operating costs**	6(D)	(2,776,231)	(80)	(2,148,610)	(83)	(7,667,907)	(82)	(6,103,215)	(83)
5950	**Net gross profit from operations**		673,404	20	441,891	17	1,713,716	18	1,272,027	17
	Operating expenses	6(U)								
6100	Selling expenses		(75,771)	(2)	(44,978)	(2)	(165,402)	(2)	(137,570)	(2)
6200	Administrative expenses		(182,209)	(6)	(161,796)	(6)	(519,533)	(5)	(480,727)	(6)
6300	Research and development expenses		(37,671)	(1)	(29,391)	(1)	(102,774)	(1)	(93,288)	(1)
6000	**Total operating expenses**		(295,651)	(9)	(236,165)	(9)	(787,709)	(8)	(711,585)	(9)
6900	**Operating income**		377,753	11	205,726	8	926,007	10	560,442	8
	Non-operating income and expenses									
7010	Other income	6(R)	15,665	-	13,959	-	53,047	-	39,244	-
7020	Other gains and losses	6(S)	98,210	3	75,947	3	111,873	1	92,985	1
7050	Finance costs	6(T)	(11,631)	-	(7,583)	-	(30,257)	-	(16,453)	-
7000	**Total non-operating income and expenses**		102,244	3	82,323	3	134,663	1	115,776	1
7900	**Profit before tax**		479,997	14	288,049	11	1,060,670	11	676,218	9
7950	Income tax expenses	6(V)	(74,969)	(2)	(77,958)	(3)	(155,211)	(1)	(129,350)	(2)
8200	**Profit**		$ 405,028	12	$ 210,091	8	$ 905,459	10	$ 546,868	7
	Other comprehensive income (net)									
	Items that may be reclassified subsequently to profit or loss									
8361	Exchange differences on translation of foreign operations		($ 171,077)	(5)	($ 170,911)	(6)	($ 93,973)	(1)	($ 26,748)	-
8300	**Other comprehensive income (loss), net**		($ 171,077)	(5)	($ 170,911)	(6)	($ 93,973)	(1)	($ 26,748)	-
8500	**Total comprehensive income(loss)**		$ 233,951	7	$ 39,180	2	$ 811,486	9	$ 520,120	7
	Net income(loss) attributable to:									
8610	Shareholders of the parent company		$ 405,763	12	$ 210,922	8	$ 907,777	10	$ 549,818	7
8620	Non-controlling interests		($ 735)	-	($ 831)	-	($ 2,318)	-	($ 2,950)	-
	Total comprehensive income(loss) attributable to:									
8710	Shareholders of the parent company		$ 235,673	7	$ 40,545	2	$ 814,664	9	$ 523,083	7
8720	Non-controlling interests		($ 1,722)	-	($ 1,365)	-	($ 3,178)	-	($ 2,963)	-
	Earnings per share	6(W)								
9750	**Basic earnings per share total**		$ 2.44		$ 1.45		$ 5.65		$ 3.77	
	Diluted earnings per share									
9850	**Diluted earnings per share total**		$ 2.31		$ 1.41		$ 5.20		$ 3.67	

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 generally accepted auditing standards

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

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		Equity attributable to the owner of the parent company											
		Share capital			Retained earnings			Other equity					
	Note	Capital - common stock	Capital collected in advance	Capital Surplus	Legal reserve	Special reserve	Unappropriated Earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Treasury stock	Total	Non-controlling interests	Total Equity
Balance to January 1, 2018		$ 1,461,973	$ -	$ 3,336,445	$ 266,544	$ 244,368	$ 1,369,501	($ 446,556)	$ 422	($ 32,824)	$ 6,199,873	$ 43,760	$ 6,243,633
Effect of retrospective application and retrospective restatement		-	-	-	-	-	422	-	(422)	-	-	-	-
Restated balance after January 1, 2018		1,461,973	-	3,336,445	266,544	244,368	1,369,923	(446,556)	-	(32,824)	6,199,873	43,760	6,243,633
Net income		-	-	-	-	-	549,818	-	-	-	549,818	(2,950)	546,868
Other comprehensive income		-	-	-	-	-	-	(26,735)	-	-	(26,735)	(13)	(26,748)
Total comprehensive income		-	-	-	-	-	549,818	(26,735)	-	-	523,083	(2,963)	520,120
Appropriations of earnings	6(P)												
Legal capital reserve		-	-	-	80,311	-	(80,311)	-	-	-	-	-	-
Special capital reserve		-	-	-	-	201,766	(201,766)	-	-	-	-	-	-
Cash dividends to shareholders		-	-	-	-	-	(599,554)	-	-	-	(599,554)	-	(599,554)
Common stock converted from convertible corporate bonds	6(J)(Y)	762	-	3,270	-	-	-	-	-	-	4,032	-	4,032
Balance to September 30, 2018		$ 1,462,735	$ -	$ 3,339,715	$ 346,855	$ 446,134	$ 1,038,110	($ 473,291)	$ -	($ 32,824)	$ 6,127,434	$ 40,797	$ 6,168,231
Balance to January 1, 2019		$ 1,462,735	$ 65,886	$ 3,377,120	$ 346,855	$ 446,134	$ 1,221,151	($ 420,541)	$ -	$ -	$ 6,499,340	$ 38,276	$ 6,537,616
Net income		-	-	-	-	-	907,777	-	-	-	907,777	(2,318)	905,459
Other comprehensive income		-	-	-	-	-	-	(93,113)	-	-	(93,113)	(860)	(93,973)
Total comprehensive income		-	-	-	-	-	907,777	(93,113)	-	-	814,664	(3,178)	811,486
Appropriations of earnings	6(P)												
Legal capital reserve		-	-	-	74,300	-	(74,300)	-	-	-	-	-	-
Special capital reserve		-	-	-	-	(25,593)	25,593	-	-	-	-	-	-
Cash dividends to shareholders		-	-	-	-	-	(588,178)	-	-	-	(588,178)	-	(588,178)
Capital increase by cash	6(N)(O)	60,000	(65,886)	168,427	-	-	-	-	-	-	162,541	-	162,541
Common stock converted from convertible corporate bonds	6(J)(Y)	190,660	-	776,640	-	-	-	-	-	-	967,300	-	967,300
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	10,737	10,737
Balance to September 30, 2019		$ 1,713,395	$ -	$ 4,322,187	$ 421,155	$ 420,541	$ 1,492,043	($ 513,654)	$ -	$ -	$ 7,855,667	$ 45,835	$ 7,901,502

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 generally accepted auditing standards
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (CONT'D)
For the nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the nine months ended September 30 2019	2018
Cash flows from operating activities			
Income before tax		$ 1,060,670	$ 676,218
Adjustments			
Adjustments to reconcile profit and loss			
(Gain) Loss on financial assets and liabilities measured at fair value through profit and loss	6(B)(S)	(6,619)	1,595
Depreciation	6(E)(F)(U)	456,702	386,583
Amortization	6(U)	27,229	22,097
Expected credit loss (reversal) provision	12(B)	5,472	880
Long term prepayment of rent for rental	6(G)	-	4,875
Loss on disposal or retirement of property, plant and equipment	6(S)	2,430	7,495
Loss on disposal of intangible assets		-	207
Interest income	6(R)	(9,292)	(7,389)
Interest expenses	6(T)	30,257	16,453
Changes in assets / liabilities related to operating activities			
Net changes in operating assets			
Financial assets (liabilities) measured at fair value through profit and loss		-	147
Notes receivable		-	(9)
Accounts receivable		106,122	610,575
Other receivables		33,902	21,171
Inventories		(256,443)	(218,849)
Prepayments		(10,133)	(19,888)
Other current assets		(12,060)	(7,089)
Net changes in liabilities related to operating			
Contract liabilities		(17,671)	(8,414)
Notes payable		-	(4,761)
Accounts payable		266,706	25,314
Other payables		8,673	(40,434)
Other current liabilities		1,584	7,818
Other non-current liabilities		(2,316)	(2,366)
Cash inflows generated from operating activities		1,685,213	1,472,229
Interest income received		8,737	7,170
Interest income paid		(21,321)	(13,850)
Income tax paid		(152,674)	(112,350)
Net cash generated from operating activities		1,519,955	1,353,199

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (CONT'D)
For the nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the nine months ended September 30 2019	2018
Cash flows from investing activities			
Increase in restricted bank deposit	6(G)	$ -	($ 1,006,000)
Increase in other financial assets	6(G)	(43,500)	-
Acquisition of property, plant and equipment	6(Y)	(1,108,948)	(591,494)
Disposal of property, plant and equipment		5,450	6,313
Acquiring right- of- use assets	6(F)	(24,007)	-
Acquiring intangible assets		(3,000)	(1,327)
Increase in other non-current assets		(40,577)	(145,757)
Decrease (increase) in refundable deposits		339	(45)
Net cash used in investing activities		(1,214,243)	(1,738,310)
Cash flows from financing activities			
Increase in short-term loans	6(Z)	179,649	446,347
Increase in short-term notes	6(Z)	89,998	79,954
Long-term loans	6(Z)	160,669	100,912
Repayment of long-term loans	6(Z)	(170,775)	(163,225)
Lease principal repayment	6(F)(Z)	(33,395)	-
Redemption of convertible corporate bonds	6(J)(Z)	(5,300)	(9,865)
Advance receipt of corporate bond payments	6(L)	-	1,006,000
Cash dividends	6(P)	(588,178)	(599,554)
Capital increase by cash		165,114	-
Increase (decrease) in non-controlling interests		10,737	-
Net cash (used in) flows from financing activities		(191,481)	860,569
Effect of exchange rate changes		(113,745)	(127,010)
Net increase in cash and cash equivalents		486	348,448
Cash and cash equivalents at beginning of period		1,313,073	1,068,037
Cash and cash equivalents at end of period		$ 1,313,559	$ 1,416,485

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

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

1. **Company History**

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

2. **Approval Date and Procedures of the Consolidated Financial Statements**

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

3. **New Standards, Amendments and Interpretations Adopted**

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

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

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Annual Improvements for 2015-2017Cycle	January 1, 2019

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

International Financial Reporting Standards 16 "Leases"

(1) International Financial Reporting Standards 16 "Leases" replaces the current International Accounting Standards 17 "Leases" and its related explanations and interpretations. This standard stipulates that the lessee should recognize the right to use assets and lease liabilities (except for leases of assets with a lease period of less than 12 months or low value subject matter); the lessor's accounting treatment is still the same, based on two types of leases; namely, business lease and financial lease, only related disclosure is added.

(2) When applying the 2019 version of IFRSs approved by the FSC, the Group will adopt non-reprogramming comparative information (hereinafter referred to as "revised retrospective adjustment") for the International Financial Reporting Standards No. 16; it will be a lessee's lease contract, which will increase the usufruct assets by $651,037 on January 1, 2019, increase the lease liabilities by $235,140, and reduce the non-current assets by $415,897.

(3) For the first time, IFRS No. 16 was applied to the Group; the following practices were adopted:

(a) The non-evaluation of whether a contract is (or contains) a lease shall be treated in accordance with the provisions of international Financial reporting standard 16th as a contract that has been identified as a lease at the time of the interpretation of 17th and international financial reports of the previous application of IAS No. 4th.

(b) A single discount rate will be applied to the lease portfolio with reasonable similar characteristics.

(c) Short-term leasing is adopted for leases that will end before December 31 and 2019. The rental fees recognized in these contracts in the third quarter of 2019 are $575.

(d) The original direct cost is not included in the measurement of the right-to-use assets.

(e) Evaluating the exercise of the option of extension of lease and the non-exercise of the option of termination of lease as to the judgment of the lease period shall be based on hindsight.

(f) Liabilities under a loss-making lease contract are prepared to adjust the right-to-use assets.

(4) In calculating the present value of the lease liabilities, the Group adopts the group's increased borrowing interest rate with a weighted average interest rate of 0.99%.

(5) The present value of the Group's discounted incremental borrowing rate on the first applicable date is the same as the amount of the lease liabilities recognized in January 1, 2019, according to the amount disclosed in IAS 17.

B. <u>The impact of not using the newly issued and revised international financial report standards approved by Financial Supervisory Commission</u>

The following table summarizes the newly issued, amended and revised standards and interpretations of IFRSs applicable in 2019 that are recognized by the Financial Supervisory Commission.

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
Revision of IAS1 and IAS8 "Definition of Significance"	January 1, 2020
Revision of IFRS3 "Definition of Business"	January 1, 2020

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

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

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

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
Amendments to IFRS9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS10 and IAS28 "Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures"	Investment still held by the IASB decision
IFRS17 "Insurance Contracts"	January 1, 2021

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

4．**Summary of Significant Accounting Policies**

Major accounting policies are the same as Note IV of the consolidated financial statements of 2018 except for those specified in the statement of compliance, basis of preparation, basis of consolidation and additional sections as follows. These policies apply consistently during all reporting periods, unless otherwise specified.

A．Statement of Compliance

(1) This consolidated financial report is prepared in line with the guidelines for the preparation of financial reports of issuers of securities and the International Accounting Standards 34, about "Interim Financial Reports" approved by the FSC.

(2) This consolidated financial report shall be read in conjunction with the consolidated financial report of 2018.

B．Basis of Preparation

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

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

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

C．Basis of Consolidation

(1) Principles of preparation of consolidated financial statements

The principles for the preparation of this consolidated financial report are the same as those for the consolidated financial report of 2018.

(2) List of subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		
			September 30, 2019	**December 31, 2018**	**September 30, 2018**
The Company	Capital Concord Enterprises Limited (Capital Concord Enterprises Limited H.K.)	Investment Holding and Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products	Distribution Agent and Import and Export Trade	100	100	100
Capital Concord Enterprises Limited	Laya Max Trading	Distribution Agent and Import and Export Trade	100	100	100
Capital Concord Enterprises Limited	Hong Kong Laya Outdoor Products	Holding company	100	100	100
Capital Concord Enterprises Limited	Fujian Sunshine Footwear	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited	Sunny Footwear	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited	Fulgent Sun Footwear(Vietnam)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd	Processing and Sale of Clothing	91.27	91.27	91.27

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		
			September 30, 2019	December 31, 2018	September 30, 2018
Capital Concord Enterprises Limited	NGOC HUNG Footwear (Vietnam)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Land lease	100	100	100
Hong Kong Laya Outdoor Products	Fujian La Sportiva	Distribution Agent and Import and Export Trade	60	60	60

(3) Subsidiaries not included in the consolidated financial report: None.

(4) Subsidiaries' different adjustment and treatment during accounting period: None.

(5) Major Restrictors: None.

(6) Subsidiaries with significant non-controlling interests in the Group: None.

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

(1) The lease assets are recognized as the right-of-use assets and lease liabilities on the day available for being used by the Group. As the lease contract is leased on a short-term basis or a low value asset, the Straight-Line Method of the lease payment is recognized as the cost during the term of lease.

(2) Lease liabilities are recognized on the basis of the present value of the loan interest rate discounted, and that has not been paid with the Group's increased loan rate; the lease payment includes:

(a) With fixed payments, deducting any rental incentives receivable;

(b) For the lease payment, it is based on the change of an index or rate;

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

(3) The right-of-use assets is recognized at the cost on the start date of the lease, including:

(a) The original amount of the leased liabilities;

(b) Any rental payment paid on or before the start date;

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

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

There are no major changes in this period, please refer to Note V of the Consolidated Financial Report of 2018.

6. **Explanation of Significant Accounts**

A. Cash and Cash Equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	$ 4,295	$ 3,582	$ 3,565
Checking deposits & demand deposits	994,052	845,574	1,219,140
Time deposits	315,212	463,917	193,780
Total	$ 1,313,559	$ 1,313,073	$ 1,416,485

(1) The financial institutions of the Group have good credit quality, and the Group has dealings with several financial institutions to distract credit risk; so the possibility of default is very unlikely.

(2) The Group presents time deposits with original maturity of more than 3 months and not meeting short-term cash commitments under "Other Current Assets". Amounts of September 30, 2019, December 31, 2018 and September 30, 2018 are $43,500, $0 and $0, respectively.

(3) Restricted Bank deposits of the Group. Please to note 6(G) for details.

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

Item	September 30, 2019	December 31, 2018	September 30, 2018
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Listed cabinet company stock	$ 2,327	$ 1,854	$ 2,454
Financial assets designated as fair value through profit or loss			
- Convertible corporate bond redemption and sale rights	246	-	-
Total	$ 2,573	$ 1,854	$ 2,454
Financial liabilities designated as fair value through profit or loss			
- Convertible corporate bond redemption and sale rights	$ -	($ 5,500)	$ -

(1) The group has no non-hedging transactions contracts for derivative financial assets on September 30,2019, December 31, 2018 and September 30,2018. The Group engaged in forward foreign exchange transactions, mainly on buying forward transactions (selling USD for RMB), which was to avoid exchange rate risks on import and export, but no non-hedging accounting was applied. The recognized interests on July 1 to September 30, 2019 and 2018 , with recognized gains and (losses) were $0 and $(719), respectively. The recognized interests on January 1 to September 30, 2019 and 2018 , with recognized gains and (losses) were $0 and $(826), respectively.

(2) The convertible corporate bonds the Group held the right to redeem and sell from July 1 to September 30, 2019 and 2018, with recognized gains and (losses) were $81 and $(0), respectively. From January 1 to September 30, 2019 and 2018, with recognized gains and (losses) were $6,146 and $(315), respectively.

(3) The shares of listed OTC companies the Group held from July 1 to September 30, 2019 and 2018, with recognized gains and (losses) were $(82) and $(854), respectively. From January 1 to September 30, 2019 and 2018, with recognized gains and (losses) were $473 and $(454), respectively.

(4) The Group has not pledged financial assets to be measured at fair value through gains and losses.

C. Notes and Accounts Receivable, Net

Item	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ -	$ -	$ 18
Accounts receivable	$ 2,050,106	$ 2,143,921	$ 1,303,417
Less: Allowance for impairment	(8,913)	(3,630)	(3,700)
	$ 2,041,193	$ 2,140, 291	$ 1,299,717

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

	September 30, 2019	December 31, 2018	September 30, 2018
Current	$ 1,940,957	$ 2,030,828	$ 1,239,060
Overdue 0 to 90 days	82,927	110,491	59,415
Overdue 91 to 180 days	13,104	139	2,449
Overdue 181 to 365 days	13,047	474	330
Over 365 days past due	71	1,989	2,181
Total	$ 2,050,106	$ 2,143,921	$ 1,303,435

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

(2) The balance of accounts receivable and notes receivable of September 30,2019 and 2018, and December 31,2018 were generated by the customer contract. The balance of accounts receivable from the customer contract as of January 1,2018 was $1,874,194.

(3) The Group's notes and accounts receivables are best represented on September 30, 2019, December 31, 2018 and September 30, 2018, regardless of the collateral or other credit enhancements held. The risk exposure amount of the maximum credit risk is the book value of each type of notes and accounts receivables.

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

D. Inventories

	September 30, 2019		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	$ 76,280	($ 14,425)	$ 61,855
Raw material	487,182	(39,802)	447,380
Work in process	489,689	(2,602)	487,087
Finished goods	637,242	(18,344)	618,898
Inventory in-transit	500,140	-	500,140
	$ 2,190,533	($ 75,173)	$ 2,115,360

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

	September 30, 2018		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	$ 82,727	($ 14,361)	$ 68,366
Raw material	503,596	(38,860)	464,736
Work in process	347,322	(4,383)	342,939
Finished goods	634,438	(27,681)	606,757
Inventory in-transit	262,584	-	262,584
	$ 1,830,667	($ 85,285)	$ 1,745,382

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

	For the three months ended September 30	
	2019	**2018**
Inventory cost sold	$ 2,769,252	$ 2,155,162
Gain from price recovery of inventory	(914)	(8,941)
Inventory scrap loss	15	8
Stock loss	7,363	1,237
Recognized as expenses	(1,311)	(317)
Effect of exchange rate changes	1,826	1,461
	$ 2,776,231	$ 2,148,610

	For the nine months ended September 30	
	2019	**2018**
Inventory cost sold	$ 7,670,719	$ 6,098,980
Inventory valuation losses (gain from price recovery)	(9,579)	2,435
Inventory scrap loss	207	263
Stock loss	7,993	2,397
Recognized as expenses	(2,380)	(1,264)
Effect of exchange rate changes	947	404
	$ 7,667,907	$ 6,103,215

The Group recognized a reduction in the cost of goods sold due to a rebound in the net realizable value of inventory that had been listed as loss of price for the three months and nine months ended September 30, 2019.

E. Property, Plant and Equipment

	For the nine months ended September 30, 2019					
Cost	**Opening Balance**	**Increase in the Period**	**Reduced in the period**	**Transfer in the period**	**Effect of exchange rate changes**	**Ending Balance**
Land	$ 302,054	$ -	$ -	$ -	$ 3,197	$ 305,251
Buildings	3,214,325	114,959	(440)	145,915	(28,430)	3,446,329
Machinery equipment	2,483,953	398,350	(45,710)	181,645	(26,292)	2,991,946
Transportation equipment	92,163	4,899	(690)	-	(209)	96,163
Office equipment	40,590	2,346	(606)	537	(571)	42,296
Other	1,188,306	87,606	(21,820)	40,129	(5,199)	1,289,022
Construction in progress	521,341	477,194	-	(332,942)	4,356	669,949
	$ 7,842,732	$ 1,085,354	($ 69,266)	$ 35,284	($ 53,148)	$ 8,840,956
Accumulated depreciation	**Opening Balance**	**Increase in the Period**	**Reduced in the period**	**Transfer in the period**	**Effect of exchange rate changes**	**Ending Balance**
Buildings	($ 887,467)	($ 112,062)	$ 416	$ -	$ 18,335	($ 980,778)
Machinery equipment	(1,232,709)	(166,756)	37,860	27	25,236	(1,336,342)
Transportation equipment	(55,023)	(6,251)	690	-	321	(60,263)
Office equipment	(34,599)	(1,719)	606	(27)	613	(35,126)
Other	(702,665)	(137,079)	21,814	-	8,126	(809,804)
	($ 2,912,463)	($ 423,867)	$ 61,386	$ -	$ 52,631	($ 3,222,313)
	$ 4,930,269					$ 5,618,643

	For the nine months ended September 30, 2018					
Cost	**Opening Balance**	**Increase in the Period**	**Decrease in the period**	**Transfer in the period**	**Effect of exchange rate changes**	**Ending Balance**
Land	$ 292,662	$ -	$ -	$ -	$ 7,523	$ 300,185
Buildings	2,814,015	32,348	-	188,191	11,558	3,046,112
Machinery equipment	2,211,674	218,425	(70,326)	1,678	4,665	2,366,116
Transportation equipment	91,078	3,637	(2,279)	-	4,208	96,644
Office equipment	39,559	978	(236)	(-)	(180)	40,121
Others	1,057,092	75,243	(21,039)	45,709	2,440	1,159,445
Leased assets	5,560	-	(5,560)	-	-	-
Construction in progress	408,868	332,633	-	(234,753)	14,644	521,392
	$ 6,920,508	$ 663,264	($ 99,440)	$ 825	$ 44,858	$ 7,530,015
Accumulated depreciation	**Opening Balance**	**Increase in the Period**	**Decrease in the period**	**Transfer in the period**	**Effect of exchange rate changes**	**Ending Balance**
Buildings	($ 754,074)	($ 103,375)	$ -	($ 7)	$ 10,266	($ 847,190)
Machinery equipment	(1,199,008)	(146,296)	59,752	-	14,526	(1,271,026)
Transportation equipment	(48,850)	(7,418)	2,279	7	(1,530)	(55,512)
Office equipment	(33,463)	(1,448)	225	-	388	(34,298)
Others	(563,342)	(127,953)	20,781	-	4,582	(665,932)
Leased assets	(2,502)	(93)	2,595	-	-	-
	($ 2,601,239)	($ 386,583)	$ 85,632	$ -	$ 28,232	($ 2,873,958)
	$ 4,319,269					$ 4,656,057

In September 30, 2019, December 31, 2018 and September 30, 2018, the Group provides guarantees information with property, plant and equipment, please refer to Note 8.

F. Lease Arrangements

Applicable in 2019

(1) The Group's leased assets include land, houses and buildings, and official vehicles. The lease contract usually lasts from 1 to 50 years. The lease contract is negotiated individually and contains various terms and conditions. There are no restrictions except that the leased assets may not be used as loan guarantees.

(2) The book value of the right-to-use assets and the depreciation charges recognized are as follows:

	September 30, 2019	
	Carrying amount	
Land	$	600,535
Buildings		197,621
Transportation Equipment (company car)		70
	$	798,226

	For the three months ended September 30, 2019		For the nine months ended September 30, 2019	
	Depreciation expense		Depreciation expense	
Land	$	7,622	$	26,620
Buildings		3,202		6,091
Transportation Equipment (company car)		41		124
	$	10,865	$	32,835

(3)The Group’s right-of-use assets increased to $173,088 in 2019.

(4)The profit and loss item related to the lease contract is as follows:

	For the three months ended September 30, 2019		For the nine months ended September 30, 2019	
Items affecting current profit and loss				
Interest expense on lease liability	$	867	$	2,147
Cost that are short-term lease contract		533		1,215

(5)The Group’s lease cash outflow totaled $58,617 in 2019.

G. Other Current Assets and Other Non-Current Assets

Items	September 30, 2019		December 31, 2018		September 30, 2018	
Current:						
Restricted bank deposit(Note)	$	-	$	-	$	1,006,000
Time deposit		43,500		-		-
Other		30,639		18,734		26,536
Total	$	74,139	$	18,734	$	1,032,536

Note: The Group issued the fourth unsecured convertible corporate bonds in the Republic of China on October 2, 2018, and received the full amount of debt on September 28, 2018, as the date of issue has not yet arrived, the amount of the funds raise has been included in the restricted bank deposit.

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-current:			
Long-term prepaid rent	$ -	$ 415,897	$ 391,162
Prepaid for equipment	85,879	52,090	39,546
Refundable deposits	4,910	5,294	5,260
Other	48,811	37,568	32,831
Total	$ 139,600	$ 510,849	$ 468,799

(1) The lease term of the land-use right contract signed by the Group is 35 to 50 years. It was paid in full at the time of the lease signing. The rent fee recognized from July 1 to September 30 and from January 1 to September 30, 2018 were $1,607 and $4,875, respectively.

(2) On September 30, 2019, December 31, 2018 and September 30, 2018, the group provides the guarantee for the other non-current assets, please refer to Note 8.

H. Short-Term Loans

Loan Type	September 30, 2019	Interest rate range	Collateral
Credit loans	$ 1,265,400	0.69%~2.52%	Note

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

Loan Type	September 30, 2018	Interest rate range	Collateral
Credit loans	$ 1,340,642	0.78%~2.67%	Note

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

I. Other Payables

Items	September 30, 2019	December 31, 2018	September 30, 2018
Accrued salaries	$ 443,325	$ 449,902	$ 359,311
Payables on equipment	312,857	267,378	191,307
Other	204,300	214,064	160,871
	$ 960,482	$ 931,344	$ 711,489

J. Corporate Bonds Payable

	September 30, 2019	December 31, 2018	September 30, 2018
Domestic third unsecured convertible corporate bonds	$ -	$ 237,600	$ 237,600
Domestic fourth unsecured convertible corporate bonds	246,400	1,000,000	-
Less: discount on corporate bonds payable	(5,224)	(30,080)	(1,896)
Subtotal	241,176	1,207,520	235,704
Less: expiration within one year	-	(236,495)	(235,704)
Total	$ 241,176	$ 971,025	$ -

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

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

i. With the approval of the competent authority, the Company raised and issued the 3rd unsecured convertible corporate bonds in Taiwan, totalling $700,000, 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 May 3, 2016 to May 3, 2019 . When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on May 3, 2016.

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

iii. The conversion price of the convertible corporate bond is set at $58.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.

iv. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.

v. 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.

vi. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.

(b) The convertible corporate bond denomination $684,700 has been converted to 12,852 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to $49.8 per share in accordance with the provisions of the terms of issue.

(c) The third unsecured convertible corporate bonds in the Republic of China issued by the company expired on May 3, 2019, and the remaining 53 corporate bonds were repaid on May 10, 2019 at $5,300.

(d) When issuing the convertible corporate bond, the Company will, in accordance with the international accounting standards No.32, separate the conversion rights of the rights and interests from the constituent elements of the liabilities, and account for the "capital accumulation rights and equity options". The other is the right to buy back and sell back, according to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economy characteristics and risk is not closely related, so it is separated and list as net account of "Financial asset or financial liability at fair value through profit or loss". The effective interest rate of the principal contract obligation after separation is 1.330%.

(e) On April 30, 2018 , some holders of corporate bonds executed the right to sell back, the Company bought back the bonds at $10,100 based on the face value of the stock 101.0025% and recovered the loss of $243.

(2) The fourth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on August 6, 2018, are as follows:

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

i. With the approval of the competent authority, the Company raised and issued the 4th unsecured convertible corporate bonds in Taiwan, totalling $1,000,000, 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 October 2, 2018 to October 2, 2021. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on October 2, 2018 .

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

iii. The conversion price of the convertible corporate bond is set at $54.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.

iv. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.

v. When the 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 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.

vi. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.

(b) As of September 30, 2019, the convertible corporate bond denomination $753,600 has been converted to 14,401 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to $51.3 per share in accordance with the provisions of the terms of issue.

(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 warrants ". The balance on September 30, 2019 is $7,311. The other is the right to buy back and sell back, according to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economy characteristics and risk is not closely related, so it is separated and list as net account of "Financial asset or financial liability at fair value through profit or loss". The effective interest rate of the principal contract obligation after separation is 1.066%.

K. Long-Term Loans

There is no long-term loans on September 30, 2019 in the Group.

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

Loan Type	Loan period and repayment method	Interest rate range	Collateral	September 30, 2018
Long-term bank loans				
Credit loans	From August 3, 2018 to August 3, 2020, with monthly interest payment, the principal can be paid at any time.	0.9367%	None	$ 30,000

L. Other Current Liabilities and Other Non-Current Liabilities

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current:			
Corporate bonds payable	$ -	$ 236,495	$ 235,704
Other current liabilities - Others	15,138	13,663	23,364
Total	$ 15,138	$ 250,158	$ 259,068

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-Current:			
Advance receipt of corporate bond payments (Note)	$ -	$ -	$ 1,006,000
Deferred government grant income	124,065	129,924	129,665
Other non-current liabilities - Others	91,521	94,080	93,325
Total	$ 215,586	$ 224,004	$ 1,228,990

Note: For the information on advance receipt of corporate bond payment, please refer to Note 6(G).

M. Pension

(1) Since July 1, 2005, the Group's subsidiary Capital Concord Enterprises (H.K.) Taiwan Branch and Laya Max Trading have set up a defined retirement scheme according to the "Labor Pension Act", which is applicable to employees of this nationality. The Group has paid the labor pension to 6% of the monthly salary of the labor pension system applicable to the employee's choice of the" Labor Pension Act", the personal accounts of the labor insurance bureau and the payment of employees' pensions are collected on the basis of the pensions of employees' personal pensions and the amount of accumulated income or by a pensions. For the three months and nine months ended September 30, 2019 and 2018, the Group's pensions based on the pensions method mentioned about are divided into $1,505, $1,251, $4,118 and $3,728, respectively.

(2) The Group's second-tier subsidiary in China in accordance with the regulations of the People's Republic of China government pension system(on May 1, 2019, the rate of pension insurance in all provinces and cities in China was reduced to 16%), based on a monthly 16% to 20% of the total local staff salaries set aside pension (Sunny Footwear and Fujian Sunshine Footwear are 16% to 18%; Hubei Sunsmile Footwear are 16% to 19%; Fujian Laya Outdoor Products and Fujian La Sportiva are 16% to 20%). Each employee's pension arrangements for co-ordination by the government. The Group has a monthly contribution, but no further obligation. For the three months and nine months ended September 30, 2019 and 2018 of the Group's second-tier subsidiary in China in accordance with the above-mentioned pension measures recognized under pension were $15,436, $16,773, $49,509 and $49,915, respectively.

(3) The Group's subsidiary Fulgent Sun Footwear (Vietnam) and NGOC HUNG Footwear (Vietnam) are subject to the relevant local regulations, according to the local government regulations; the pension fund for employees' retirement pension is payable on a monthly basis at a certain percentage of the total wage and paid to the relevant competent authorities. The Group has no further obligation except monthly payment. For the three months and nine months ended September 30, 2019 and 2018, the above-mentioned pension measures of the Group recognized under pension were $25,951, $20,790, $71,478 and $59,533, respectively.

N. Share Capital

(1) On August 6, 2018, the Company adopted a cash capital increase plan by the Board of Directors, which issued 6,000 thousands common stock with cash capital increase and declared to the FSC on September 7, 2018; the issue price was $38.5 per share, the base date of capital increase was January 11, 2019, and the amount raised was $231,000. The shares were respectively charged $65,886 and $165,114 in December 2018 and January 2019.

(2) On September 30, 2019, the Company's rated capital was $2,000,000, divided into 200 million shares, the paid in capital was $1,713,395, the denomination of $10 per share.

Unit: Thousand Shares

	2019	2018
January 1	$ 146,274	$ 146,197
Capital increase by cash	6,000	-
Convertible corporate bonds execution conversion	19,066	77
September 30	$ 171,340	$ 146,274

(3) Treasury stock

(a) Reason and quantity of share recovery:

There is no treasury stock on September 30, 2019 and December 31, 2018.

		September 30, 2018	
Name of the company holding the shares	**Reason of recovery**	**Share (Thousand shares)**	**Carrying amount**
The Company	For the transfer of shares to employees	500	$ 32,824

(b) Securities Exchange Act stipulates that the proportion of the Company to buy back the issued shares shall not exceed 10% of the total number of shares issued by the Company, the total amount of the purchased shares, and shall not exceed the retained surplus plus the premium for the issuance of shares and the amount of the realized capital provident fund.

(c) The Treasury Stock held by the Company shall not be pledged under the Securities Exchange Act and shall not be entitled to the rights of shareholders until they have been transferred.

(d) According to the Securities Exchange Act, the shares purchased from the employee for the transfer of shares shall be transferred within 3 days from the date of purchase, and those who are overdue are deemed not to have issued shares of the Company and shall be subject to the change registration and sale of the shares.

O. Capital Surplus

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

(2) The changes in capital surplus are as follows:

	2019			
	Issue Premium	**Share Warrants**	**Other**	**Total**
January 1	$ 3,330,877	$ 45,886	$ 357	$ 3,377,120
Capital increase by cash	176,158	(7,731)	-	168,427
Convertible corporate bonds to convert common stocks	807,295	(30,655)	-	776,640
Reversal of stock warrants invalidation	-	(189)	189	
September 30	$ 4,314,330	$ 7,311	$ 546	$ 4,322,187

	2018			
	Issue Premium	Share Warrants	Other	Total
January 1	$ 3,327,460	$ 8,985	$ -	$ 3,336,445
Convertible corporate bonds to convert common stocks	3,417	(147)	-	3,270
Reversal of stock warrants invalidation	-	(357)	357	-
September 30	$ 3,330,877	$ 8,481	$ 357	$ 3,339,715

P. Retained Earnings

(1) In accordance with the provisions of the Articles of Incorporation, the Company may, in accordance with the resolution of the Board of Directors, and by resolution of the shareholders' meeting to pass the earnings distribution case, the Company shall (1) first make up the loss over the years, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the company's paid-in capital; (2) to set aside a special capital reserve in accordance with the rules of the public offering company or at the request of the competent authority; (3) to make an employee dividend not exceeding 3% of the remaining earnings as a director and 3% of the remaining profits as employees of the Company and its subsidiaries.

(2) When the Company's earnings is allocated, the dividend assigned to the shareholder shall not be less than the balance of the remaining earnings deduction of 20% of the preceding (1) (2), wherein the cash dividend issued shall not be less than 20% of the dividend.

(3) In accordance with the provisions of the company's Articles of Incorporation, the Company shall not issue dividends or assign dividends or other assignments in respect of the realized or unrealized benefits of the Company, the premium account for the issuance of shares or other payments permitted by the Cayman Company ACT, provided that the legal capital reserve is more than 25% of the amount of capital paid, Only the legal capital reserve shall be accumulated as the above allocation and shall be limited to the portion of the accumulated capital in excess of 25% of the amount received.

(4) (a) When the Company assigns an earnings, it shall make a special capital reserve accumulated in respect of the debit balance of other equity items on the balance sheet date in accordance with the provisions of the laws, and when the debit balance of subsequent other equity items rotates, the rotating amount may be included in the earnings available for allocation.

(b) When IFRSs was first used, the special capital reserve listed in letter No. 1010012865 issued by FSC on April 6, 2012 was reversed when the Company subsequently used, disposed of or reclassified the related assets.

(5) On June 12, 2019, the Company passed the 2018 earnings distribution case by resolution of the Board of Directors and on June 8, 2018 by the shareholders' meeting resolution through the 2017 earnings distribution cases are as follows:

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

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

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

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

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

Q. Operating Revenue

	For the three months ended September 30	
	2019	2018
Revenue from Contracts with Customers	$ 3,449,635	$ 2,590,501
	For the nine months ended September 30	
	2019	2018
Revenue from Contracts with Customers	$ 9,381,623	$ 7,375,242

(1) Breakdown of Customer Contract Income

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

(2) Contract liability

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

Items	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
Contract liability				
-Quantity discount	$ -	$ -	$ 605	$ 319
-Advance sales receipts	10,134	27,619	5,491	14,247
Total	$ 10,134	$ 27,619	$ 6,096	$ 14,566

R. Other Income

	For the three months ended September 30	
	2019	2018
Interest income:		
Interest on bank deposits	$ 4,138	$ 2,870
Government subsidy income	699	3,927
Other income - Other	10,828	7,162
	$ 15,665	$ 13,959

	For the nine months ended September 30	
	2019	2018
Interest income:		
Interest on bank deposits	$ 9,292	$ 7,389
Government subsidy income	12,254	8,372
Other income - Other	31,501	23,483
	$ 53,047	$ 39,244

S. Other Gains and Losses

	For the three months ended September 30	
	2019	2018
Disposal of property, plant and equipment losses	($ 1,635)	($ 735)
Foreign exchange loss	103,463	81,199
Gain(Loss) on financial assets and liabilities measured at fair value through profit and loss	(1)	(1,573)
Other losses	(3,617)	(2,944)
	$ 98,210	$ 75,947

	For the nine months ended September 30	
	2019	2018
Disposal of property, plant and equipment losses	($ 2,430)	($ 7,495)
Foreign exchange loss	118,247	109,693
Gain(Loss) on financial assets and liabilities measured at fair value through profit and loss	6,619	(1,595)
Other losses	(10,563)	(7,618)
	$ 111,873	$ 92,985

T. Finance Costs

	For the three months ended September 30			
	2019		2018	
Bank borrowing	$	9,541	$	6,795
Convertible corporate bonds		1,223		788
Lease liabilities		867		-
	$	11,631	$	7,583

	For the nine months ended September 30			
	2019		2018	
Bank borrowing	$	21,453	$	14,068
Convertible corporate bonds		6,657		2,385
Lease liabilities		2,147		-
	$	30,257	$	16,453

U. Expenses Expressed by Nature

	For the three months ended September 30			
	2019		2018	
Employee benefits				
Salary	$	985,092	$	774,518
Labor and health insurance		29,960		23,604
Pension		42,892		38,814
Others		16,663		15,799
		1,074,607		852,735
Depreciation		156,307		132,863
Amortization		10,179		7,215
	$	1,241,093	$	992,813

	For the nine months ended September 30			
	2019		2018	
Employee benefits				
Salary	$	2,741,704	$	2,305,745
Labor and health insurance		87,406		69,961
Pension		125,105		113,176
Others		49,102		47,738
		3,003,317		2,536,620
Depreciation		456,702		386,583
Amortization		27,229		22,097
	$	3,487,248	$	2,945,300

(1) According to Articles of Incorporation, the Company is required to allocate a surplus not exceeding 3% of the remaining surplus as the remuneration of the directors and 3% of the remaining profits as employee dividends for the employees of the Company and its subsidiaries.

(2) The employee bonus estimates of the Company from July 1 to September 30, 2019 and 2018, and from January 1 to September 30, 2019 and 2018 were $2,500, $3,750, $7,500 and $6,250, respectively; Directors ' remuneration estimates were $2,500, $3,750, $7,500 and $6,250, respectively, and the preceding amounts account for operating expenses. The above-mentioned employee bonus and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as the net profit after the current period after consideration of the legal capital reserve accumulation.

The employees' bonus and directors' remuneration of 2018 approved by the Board of Directors are consistent with the financial statements of 2018. Information on employee bonuses and directors' remuneration approved by the Board of Directors can be reached at MOPS.

V. Income tax

(1) Income tax expense

Income tax component:

	For the three months ended September 30	
	2019	**2018**
Current income tax:		
Income tax on current income	$ 68,651	$ 59,651
Previous annual income tax underestimation	16	4,663
Total current income tax	68,667	64,314
Deferred income tax:		
The primitive generation and turn of temporary differences	6,302	13,649
The impact of tax rate change	-	(5)
Total deferred income tax	6,302	13,644
Income tax expenses	$ 74,969	$ 77,958

	For the nine months ended September 30	
	2019	**2018**
Current income tax:		
Income tax on current income	$ 146,285	$ 147,336
Additional surtax on undistributed retained earnings	-	57
Previous annual income tax overestimation	(1,793)	(2,362)
Total current income tax	144,492	145,031
Deferred income tax:		
The primitive generation and turn of temporary differences	10,719	(15,223)
The impact of tax rate change	-	(458)
Total deferred income tax	10,719	(15,681)
Income tax expenses	$ 155,211	$ 129,350

(2) Subsidiary-Capital Concord (H.K.) Taiwan Branch and Second-tier Subsidiary-Laya Max Trading Co., Ltd. for profit income tax settlement declaration, have been approved by the taxes reprioritizing authority to 2017.

(3) The amendment to the Taiwan Income Tax law came into effect on February 7, 2018, and the tax rate on profit-making business income increased from 17% to 20%; this amendment has been available since 2018. The group has assessed the relevant income tax implications for this change in tax rates.

W. Earnings Per Share

	For the three months ended September 30, 2019		
	After-tax amount	**Weighted average number of shares in circulation (thousand shares)**	**Earnings per share (NT$)**
Basic earnings per share			
Profit attributable to equity holders of the Company	$ 405,763	166,395	$ 2.44
Diluted earnings per share			
Profit attributable to equity holders of the Company	$ 405,763	166,395	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	1,223	9,748	
Employee bonus	-	86	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	$ 406,986	176,229	$ 2.31

	For the three months ended September 30, 2018		
	After-tax amount	**Weighted average number of shares in circulation (thousand shares)**	**Earnings per share (NT$)**
Basic earnings per share			
Profit attributable to equity holders of the Company	$ 210,922	145,774	$ 1.45
Diluted earnings per share			
Profit attributable to equity holders of the Company	210,922	145,774	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	788	4,416	
Employee bonus	-	127	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	$ 211,710	150,317	$ 1.41

	For the nine months ended September 30, 2019		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to equity holders of the Company	$ 907,777	160,557	$ 5.65
Diluted earnings per share			
Profit attributable to equity holders of the Company	907,777	160,557	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	6,657	15,256	
Employee bonus	-	177	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	$ 914,434	175,990	$ 5.20

	For the nine months ended September 30, 2018		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to equity holders of the Company	$ 549,818	145,758	$ 3.77
Diluted earnings per share			
Profit attributable to equity holders of the Company	549,818	145,758	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	2,385	4,416	
Employee bonus	-	182	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	$ 552,203	150,356	$ 3.67

X. Operating Lease

Applicable in 2018

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

	December 31, 2018	September 30, 2018
Less than 1 year	$ 25,939	50,056
More than 1 year but less than 5 years	91,267	95,008
More than 5 years	135,785	137,871
	$ 252,991	$ 282,935

Y. Supplementary Information on Cash Flow

(1) Investing activities with partial cash payments:

	For the nine months ended September 30	
	2019	2018
Additions to property, plant and equipment	$ 1,120,638	$ 664,089
Less: Prepayments for equipment at the beginning of the period	(52,090)	(38,530)
Add: Prepayments for equipment at the end of the semester	85,879	39,546
Add: Payables for equipment at the beginning of the period	267,378	117,696
Less: Payables for equipment at the end of the period	(312,857)	(191,307)
Cash paid in the period	$ 1,108,948	$ 591,494

(2) Financing activities that do not affect cash flow:

	For the nine months ended September 30	
	2019	2018
Share capital converted from convertible corporate bonds	$ 190,660	$ 762

Z. Changes in Liabilities Arising from Financing Activities

	Long and short term loans and short-term notes	Lease liabilities	Convertible corporate bonds (note)	Total liabilities from financing activities
January 1, 2019	$ 1,087,264	$ -	$ 1,207,520	$ 2,294,784
First application of IFRS impact	-	235,140	-	235,140
Changes in cash flows from financing	259,541	(33,395)	(5,300)	220,846
Other non-cash flows	-	175,235	(961,044)	(785,809)
Effects of exchange rate changes	8,593	4,122	-	12,715
September 30, 2019	$ 1,355,398	$ 381,102	$ 241,176	$ 1,977,676

	Long and short term loans and short-term notes	Convertible Corporate bonds (note)	Total liabilities from financing activities
January 1, 2018	$ 961,857	$ 247,222	$ 1,209,079
Changes in cash flows from financing	463,988	(9,865)	454,123
Other non-cash flows	-	(1,653)	(1,653)
Effects of exchange rate changes	24,751	-	24,751
September 30, 2018	$ 1,450,596	$ 235,704	$ 1,686,300

Note: including portion due within one year

7. **Related-Party Transactions**

Key Management Compensation

	For the three months ended September 30	
	2019	2018
Short-term employee benefits	$ 18,863	$ 16,358

	For the nine months ended September 30	
	2019	2018
Short-term employee benefits	$ 45,043	$ 44,678

8. **Pledged Assets**

	Carrying amount			
Assets	September 30, 2019	December 31, 2018	September 30, 2018	Guarantee use
Land	$ 110,971	$ 109,809	$ 109,129	Short-term loans
Buildings	173,654	175,252	175,300	Short-term loans
Other financial assets (listed other non-current assets)	1,891	412	407	Performance bond for power supply contract
Refundable deposits (listed other non-current assets)	4,910	5,294	5,260	Deposits for leased land and other
	$ 291,426	$ 290,767	$ 290,096	

9. **Significant Contingent Liabilities and Unrecognized Contract Commitments**

(1) Capital expenditure contracted but not yet incurred:

	Contract Price		
	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	$ 879,330	$ 939,180	$ 651,802

	Unpaid Price		
	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	$ 254,260	$ 560,348	$ 204,649

(2) For operating lease agreements, please refer to Note 6(X).

10. **Significant Disaster Losses**

None

11. **Significant Events After The Balance Sheet Date**

None

12. **Others**

A. Capital Management

No significant changes in this period, please refer to Note XII Consolidated financial statements in 2018.

B. Financial Instruments

(1) Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
Financial Assets			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 2,327	$ 1,854	$ 2,454
Financial assets designated measured at fair value through profit or loss	246	-	-
	$ 2,573	$ 1,854	$ 2,454
Financial assets/loans and receivables measured at amortized cost			
Cash and cash equivalents	$ 1,313,559	$ 1,313,073	$ 1,416,485
Notes receivable	-	-	18
Accounts receivable	2,041,193	2,140,291	1,299,717
Other receivables	177,931	190,803	99,962
Other financial assets- Current	43,500	-	1,006,000
Refundable deposits	4,910	5,294	5,260
Other financial assets- Non-current	1,891	412	407
	$ 3,582,984	$ 3,649,873	$ 3,827,849
Financial Liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities designated measured at fair value through profit or loss	$ -	$ 5,500	$ -
Financial liabilities measured at amortized cost			
Short-term loans	$ 1,265,400	$ 1,077,264	$ 1,340,642
Short-term notes and bills payable	89,998	-	79,954
Accounts payable	1,263,890	1,010,680	921,032
Other accounts payable	960,482	931,344	711,489
Corporate bonds payable (including maturity within one year or one operating cycle)	241,176	1,207,520	235,704
Long-term borrowings (including maturity within one year or one operating cycle)	-	10,000	30,000
	$ 3,820,946	$ 4,236,808	$ 3,318,821
Lease liabilities (current and non-current)	$ 381,102	$ -	$ -

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

(3) Nature and Degree of Significant Financial Risks

(a) Market Risk

Exchange Rate Risk

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

ii. To avoid the decrease in foreign currency assets and future fluctuations in cash flows caused by exchange rate movements, the Group uses derivative financial instruments to hedge the exchange rate risk. This kind of derivative financial instruments can be used to assist the Group in reducing but not entirely eliminate the impact of foreign currency exchange rate movements, please refer to Note 6(B).

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

(Foreign currency: functional currency)	September 30, 2019									
							Sensitivity Analysis			
		Foreign currency (in thousands)	**Exchange rate**		**Carrying Amount**	**Range of change**		**Impact on Profit and Loss**		**Impact on Other Comprehensive Income**
Financial assets										
Monetary items										
USD: RMB	$	10,652	7.1356	$	330,652	5%	$	16,533	$	-
RMB:USD		55,255	0.1455		240,361	5%		12,018		-
Financial liabilities										
Monetary items										
USD: RMB	$	2,050	7.1356	$	63,633	5%	$	3,182	$	-
NTD: USD		1,175,827	0.0322		1,175,827	5%		58,791		-

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

(Foreign currency: functional currency)	September 30, 2018			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	$ 14,433	6.8812	$ 439,855	5%	$ 21,993	$ -
RMB:USD	27,783	0.1453	123,246	5%	6,162	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: RMB	$ 3,436	6.8812	$ 104,706	5%	$ 5,235	$ -
NTD: USD	890,310	0.0328	890,310	5%	44,516	-

iv. The Group's monetary items have a significant influence on the recognized exchange gains and losses from July 1 to September 30, 2019 and 2018, and January 1 to September 30, 2019 and 2018 due to exchange rate fluctuation (including realized and unrealized), the aggregate amount is gain of $103,463, $81,199, $118,247 and $109,693, respectively.

Price Risk

i. The Group's equity instruments exposed to price risk are financial assets held at fair value through profit and loss. To manage the price risk of investment in equity instruments, the Group diversified its portfolio with its diversification method based on the limits set by the Group.

ii. The Group’s investments in equity instruments comprise domestic publicly quoted entity and the price of these equity instruments are affected by uncertainties in the future value of the investment target. If the price of these equity instruments had been 5% higher or lower, and all other variables were held constant, the Group’s profit after tax from January 1 to September 30, 2019 and 2018 would increase or decrease by $116 and $123 from equity instruments mandatorily measured at fair value through profit or loss, respectively.

Cash Flow and Fair Value Interest Rate Risk

i. The Group's interest rate risk arises primarily from the short-term and long-term borrowings issued at floating rates, which expose the Group to the cash flow interest rate risk. From January 1 to September 30, 2019 and 2018, the Group's borrowings issued at floating rate are mainly denominated in NTD and USD.

ii. The Group's borrowings are measured at amortized cost and re-priced based on the contractual interest rates, which expose the Group to the risk of changes in future market interest rates.

iii. If the loan interest rate has been increased or decreased by 0.1%, and all other variables were held constant, the profit after tax from January 1 to September 30, 2019 and 2018 will be decreased or increased by $757 and $820 respectively, due to the changes in interest costs caused by the floating-rate interest rate borrowings.

(b) Credit Risk

i. The Group's credit risk is primarily attributable to the Group's financial loss from customers or financial instruments' counterparty is unable to fulfill contractual obligation. The main reason is that the counterparty is unable to settle the account receivable on payment terms.

ii. The Group has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. The internal risk control evaluated by considering its financial situation, past experience and other factors 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.

iii. The Group adopts the IFRS 9 to provide the following assumptions whether the credit risk of financial instruments has increased significantly since their initial recognition: When the contract payments are overdue more than 30 days according to the agreed payment terms , the credit risk is increased significantly since the financial assets are initially recognized.

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

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

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

vii. After recourse procedures, the Group writes off the recoverable financial assets that cannot be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor's rights.. The group has no creditors' rights that has been written off but still can be recourse for September 30, 2019, December 31, 2018 and September 30, 2018.

viii. The Group adjusted the loss rate established on the history of certain period and current information for perspective consideration to estimate the loss allowance for account receivable. The reserve matrix for September 30, 2019, December 31, 2018 and September 30, 2018 was as follows:

September 30, 2019	**Expected loss rate**	**Total carrying amount**	**Loss allowance**
Current	0.00%	$ 1,940,957	$ -
Overdue 0 to 90 days	0.52%	82,927	428
Overdue 91 to 180 days	12.17%	13,104	1,595
Overdue 181 to 365 days	52.26%	13,047	6,819
Overdue 365 days past due	100.00%	71	71
		$ 2,050,106	$ 8,913

December 31, 2018	**Expected loss rate**	**Total carrying amount**	**Loss allowance**
Current	0.00%	$ 2,030,828	$ -
Overdue 0 to 90 days	1.12%	110,491	1,237
Overdue 91 to 180 days	25.90%	139	36
Overdue 181 to 365 days	77.64%	474	368
Overdue 365 days past due	100.00%	1,989	1,989
		$ 2,143,921	$ 3,630

September 30, 2018	**Expected loss rate**	**Total carrying amount**	**Loss allowance**
Current	0.00%	$ 1,239,042	$ -
Overdue 0 to 90 days	1.33%	59,415	788
Overdue 91 to 180 days	21.72%	2,449	532
Overdue 181 to 365 days	60.30%	330	199
Overdue 365 days past due	100.00%	2,181	2,181
		$ 1,303,417	$ 3,700

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

	2019 Account receivable	2018 Account receivable
January 1	$ 3,630	$ 2,749
Allowance for Impairment loss	5,472	880
Effect of Exchange	(189)	71
September 30	$ 8,913	$ 3,700

(c) Liquidity Risk

i. 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.

ii. 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.

iii. As of September 30 2019, December 31 2018 and September 30 2018, the Group has unused borrowing facilities of $3,143,440, $2,332,099 and $2,247,839, respectively.

iv. 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:

September 30, 2019	**Less than 6 months**	**7 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 Years**
Short-term loans	$ 1,267,942	$ -	$ -	$ -	$ -
Short-term notes payable	90,000	-	-	-	-
Accounts payable	1,263,890	-	-	-	-
Other payables	921,143	24,055	15,284	-	-
Corporate bonds payables	-	-	246,400	-	-
Lease liabilities	33,181	1,579	29,118	69,385	266,704

Non-derivative financial liabilities:

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

Derivative financial liabilities:

December 31, 2018	**Less than 6 months**	**7 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 Years**
Financial Liabilities at fair value through profit or loss	$ -	$ -	$ -	$ 5,500	$ -

Non-derivative financial liabilities:

September 30, 2018	**Less than 6 months**	**7 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 Years**
Short-term loans	$ 1,103,185	$ 241,492	$ -	$ -	$ -
Short-term notes payable	80,000	-	-	-	-
Accounts payable	921,032	-	-	-	-
Other payables	625,625	70,269	15,595	-	-
Corporate bonds payables	237,600	-	-	-	-
Long-term loans	-	-	30,518	-	-

C. Fair Value Information

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

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

Level 2: Direct or indirect observable input value of assets or liabilities, except for quotations in Level 1. The fair value of derivatives invested by the Group is at this level.

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

(2) Financial instruments not measured at fair value

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

	September 30, 2019	
	Carrying amount	**Fair Value Level 3**
Corporate bonds payable	$ 241,176	$ 242,159
	December 31, 2018	
	Carrying amount	**Fair Value Level 3**
Corporate bonds payable	$ 1,207,520	$ 1,210,950
	September 30, 2018	
	Carrying amount	**Fair Value Level 3**
Corporate bonds payable	$ 235,704	$ 236,588

(b) The methods and assumptions used to estimate fair value are as follows:
Convertible bonds payable: The coupon rate of convertible corporate bonds issued by the Group is similar to the market rate, so the fair value is measured at the discounted value of expected cash flows, which is equivalent to the carrying amount.

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

September 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
-Stocks of listed companies	$ 2,327	$ -	$ -	$ 2,327
-Redemption right of convertible corporate bonds	-	-	246	246
Total	$ 2,327	$ -	$ 246	$ 2,573

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

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
-Stocks of listed companies	$ 2,454	$ -	$ -	$ 2,454

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

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

(b) Forward exchange contracts are usually evaluated based on the current forward exchange rate.

(C) The cash flow expected to be received by the corporate bonds payable according to the underlying assets are measured by the discounted present value of the market interest rate at the balance sheet date.

(5) Between January 1 to September 30, 2019 and 2018 there was no transfer between Level 1 and Level 2.

(6) The following table shows the changes in January 1 to September 30, 2019 and 2018 for Level 3:

	2019	2018
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	($ 5,500)	$ 327
Gain or loss on the recognized profit or loss (Note)	6,146	(315)
Transferred in the period	(400)	(12)
September 30	$ 246	$ -

Note: Recognized in other gains and losses.

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

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

	Fair value as of September 30, 2019	Evaluation techniques	Significant unobservable input values	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	$ 246	Binomial Tree Evaluation Model	Volatility	27.35%	The higher the volatility, the higher the fair value

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

	Fair value as of September 30, 2018	Evaluation techniques	Significant unobservable input values	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	$ -	Binomial Tree Evaluation Model	Volatility	22.38%	The higher the volatility, the higher the fair value

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

No financial assets and liabilities classified as the level 3 on September, 2018.

			September 30, 2019	
			Recognized in Profit or Loss	
	Input value	Change	Favorable change	Unfavorable change
Financial liabilities				
Hybrid instruments	Volatility	±5%	$ 148	($ 148)

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

13. **Supplementary Disclosures**

A. Information on Significant Transactions

(1) Capital loans to others: Please refer to Appendix Table 1.

(2) Endorsements and guarantees: Please refer to Appendix Table 2.

(3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Appendix Table 3.

(4) Acquisition or sale of the same securities with the accumulated cost reaching $300 million or 20% of paid-in capital or more: None

(5) Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

(6) Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

(7) Purchases from and sales to related parties reaching $ 100 million or 20% of paid-in capital: Please refer to Appendix Table 4.

(8) Receivable from related parties reaching $ 100 million or 20% of the paid-in capital: Please refer to Appendix Table 5.

(9) For derivatives transactions: Please refer to Note 6(B).

(10) Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Appendix Table 6.

B. Information of Business Re-invested

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

C. Information on investment in China

(1) Basic Information: please refer to Appendix Table 8.

(2) Significant transactions between the Company and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Note 13(A)

14. **Operating Segment Information**

A. General Information

The principal business of the Company and its subsidiaries is the production and sales of sports and leisure outdoor shoes. The Group's Board of Directors is the operating decision maker, which allocates resources and assesses performance of the Group as a whole. The Group's management has identified the operating segments based on the reports reviewed by the Board of Directors that are used to make decisions.

The Group’s company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

B. Department Information

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

	For the three months ended September 30, 2019			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 3,441,239	$ 8,394	$ 2	$ 3,449,635
Inter-segment revenue	2,656,783	348,920	341	3,006,044
Total revenue	$ 6,098,022	$ 357,314	$ 343	$ 6,455,679
Segment profit (loss)	$ 468,272	$ 37,385	$ 403,833	$ 909,490
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

For the three months ended September 30, 2018	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 2,568,992	$ 20,928	$ 581	$ 2,590,501
Inter-segment revenue	2,016,602	209,910	336	2,226,848
Total revenue	$ 4,585,594	$ 230,838	$ 917	$ 4,817,349
Segment profit (loss)	$ 318,978	$ 21,711	$ 203,769	$ 544,458
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

For the nine months ended September 30, 2019	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 9,354,029	$ 27,508	$ 86	$ 9,381,623
Inter-segment revenue	6,819,841	928,090	1,017	7,748,948
Total revenue	$ 16,173,870	$ 955,598	$ 1,103	$ 17,130,571
Segment profit (loss)	$ 998,122	$ 77,235	$ 899,163	$ 1,974,520
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

For the nine months ended September 30, 2018	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 7,323,919	$ 49,841	$ 1,482	$ 7,375,242
Inter-segment revenue	5,675,074	505,756	1,036	6,181,866
Total revenue	$ 12,998,993	$ 555,597	$ 2,518	$ 13,557,108
Segment profit (loss)	$ 696,668	$ 32,956	$ 525,943	$ 1,255,567
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

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

C. Reconciliation of Segment Revenue and Profit or Loss

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

For the three months ended September 30	2019	2018
Revenue after adjustment from reportable operating segments	$ 6,455,336	$ 4,816,432
Revenue after adjustment from other operating segments	343	917
Total income before tax from operating segments	6,455,679	4,817,349
Elimination of intersegment revenue	(3,006,044)	(2,226,848)
Total consolidated operating revenue	$ 3,449,635	$ 2,590,501

	For the nine months ended September 30	
	2019	2018
Revenue after adjustment from reportable operating segments	$ 17,129,468	$ 13,554,590
Revenue after adjustment from other operating segments	1,103	2,518
Total income before tax from operating segments	17,130,571	13,557,108
Elimination of intersegment revenue	(7,748,948)	(6,181,866)
Total consolidated operating revenue	$ 9,381,623	$ 7,375,242

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

	For the three months ended September 30	
	2019	2018
Revenue after adjustment from reportable operating segments	$ 505,657	$ 340,689
Revenue after adjustment from other operating segments	403,833	203,769
Total income before tax from operating segments	909,490	544,458
Elimination of intersegment revenue	(429,493)	(256,409)
Total consolidated operating revenue	$ 479,997	$ 288,049

	For the nine months ended September 30	
	2019	2018
Revenue after adjustment from reportable operating segments	$ 1,075,357	$ 729,624
Revenue after adjustment from other operating segments	899,163	525,943
Total income before tax from operating segments	1,974,520	1,255,567
Elimination of intersegment revenue	(913,850)	(579,349)
Total consolidated operating revenue	$ 1,060,670	$ 676,218

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

Loans to others

For the Nine Months Ended September 30, 2019

Table 1

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Ending Balance (Note 4)	Amount Actually Drawn	Interest rate	Nature of loan	Transaction Amounts	Reason for short- term financing	Allowance for bad debt	Collateral: Item	Collateral: Value	Financing Limits for each borrowing company (Note 2)	Financing company's total financing Amount Limits (Note 3)	Footnote
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Yes	$ 465,910	$ 456,531	$ 456,531	1.80%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 707,180	$ 883,975	Notes 4 and 5

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

(1)The Company is ‘0’.

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

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

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

Note 4:In Q319, the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.

Note 5:Offset in consolidated statements.

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

Provision of endorsements and guarantees to others

For the Nine Months Ended September 30, 2019

Table 2

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

No. (Note 1)	Endorser/ Guarantor	Party being endorsed/guaranteed: CompanyName	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2019	Outstanding endorsement/ guarantee amount at September 30, 2019	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company(%)	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland	Note
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	$ 4,951,970	$ 79,000	$ 77,600	$ 46,560	$ -	0.99%	$ 6,602,627	Y	N	Y	Note 3

Note 1:The numbers filled in are described as follows:
(1)For the issuer, fill in 0.
(2)Investee companies are numbered by company starting from 1 in sequence.
Note 2:Relationship between the endorser/guarantor and the Company is classified into the following seven categories (just mark the category number):
(1)Companies with whom the Company conducts business.
(2)A Company directly, and indirectly ,holds more than 50% of the voting shares.
(3)A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
(4)A company in which the Company directly, and indirectly, holds more than 90% of the voting shares.
(5)Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs
(6)Shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
(7)The performance guarantee of the pre-sale house sales contract in the inter-bank business in accordance with the Consumer Protection Law is jointly guaranteed
Note 3:The limit of endorsements/guarantees provided for a single party is 60% of the net worth of Capital Concord Enterprise Limited.
Note 4:The maximum amount available for endorsements/guarantees is 80% of the net worth of Capital Concord Enterprise Limited.
Note 5:The joint guarantor of the endorsement/guarantee is Lin, Wen-Chih.
Note 6:In Q319, the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
September 30, 2019

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 3

Securities Held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledge r account	As of September 30, 2019				Note
				Number of Shares	Book value	Ownership	Fair value	
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN)	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	$ 2,327	0.61	$ 2,327	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative marketable securities within the scope of IFRS 9: Financial instruments.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Purchases or Sales of Goods from or to Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
For the Nine Months Ended September 30, 2019

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 4

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Transaction Details				Unusual trade conditions and its reasons		Notes and Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Purchase	1,782,984	0.23	180 days after purchase	Note 1	Note 1	(1,351,186)	(1.07)	Notes 2 and 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	545,036	0.07	90 days after purchase	Note 1	Note 1	(232,504)	(0.18)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	1,691,925	0.22	120 days after purchase	Note 1	Note 1	-	-	Notes 2 and 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	490,397	0.06	180 days after purchase	Note 1	Note 1	(210,693)	(0.17)	Notes 2 and 3
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiary	Purchase	305,284	0.04	180 days after purchase	Note 1	Note 1	(260,937)	(0.21)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(545,209)	(0.06)	135 days after Sales	Note 1	Note 1	232,905	0.11	Notes 2 and 3
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiary	Purchase	1,032,991	0.11	120 days after billing	Note 1	Note 1	-	-	Notes 2 and 3
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	Subsidiary	Purchase	464,569	0.05	120 days after billing	Note 1	Note 1	(239,716)	(0.09)	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(382,822)	(0.04)	135 days after Sales	Note 1	Note 1	154,074	0.08	Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(181,941)	(0.02)	135 days after Sales	Note 1	Note 1	106,477	0.05	Notes 2 and 3

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

Note 2: In Q319, the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.

Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Receivables from Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
September 30, 2019

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as of September 30, 2019	Turnover Rate	Overdue Receivable Amount	Overdue Receivable Actions Taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for Doubtful Accounts	Note
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	$ 1,351,186	1.71	$ -	-	$ 206,777	$ -	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	260,937	1.53	-	-	30,395	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	210,693	2.84	-	-	61,769	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	456,531	-	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	232,504	3.54	-	-	59,830	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	239,716	3.47	-	-	87,720	-	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	232,905	1.97	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	154,074	3.24	-	-	125,662	-	Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	106,477	2.42	-	-	23,633	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to November 8, 2019.
Note 2: In Q319, the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.
Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
For the Nine Months Ended September 30, 2019

Table 6

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status: General Ledger Account	Transaction Status: Amount (Note 5)	Transaction Status: Trade terms	Transaction Status: Percentage of consolidated total operating revenues or total assets (Note 3)
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts receivable	232,905	Note 4	1.87%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	1,351,186	Note 4	10.87%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	210,693	Note 4	1.69%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	260,937	Note 4	2.10%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	232,504	Note 4	1.87%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	545,209	Note 4	5.81%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	1,782,984	Note 4	19.01%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	490,397	Note 4	5.23%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	305,284	Note 4	3.25%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	545,036	Note 4	5.81%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	1,691,925	Note 4	18.03%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other accounts payable	456,531	Note 4	3.67%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	1,032,991	Note 4	11.01%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Purchase	464,569	Note 4	4.95%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Accounts payable	239,716	Note 4	1.93%
2	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Accounts receivable	154,074	Note 4	1.24%
2	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	382,822	Note 4	4.08%
3	Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd	3	Sales	181,941	Note 4	1.94%

Note 1: The numbers filled in for parent-subsidiary transactions are described as follows:
(1) The parent company is coded "0".
(2) The subsidiaries are coded by company from 1 in sequence.

Note 2: Relationships are categorized into the following three types. Please specify the type. (The same transaction shall not be disclosed repetitively. For example, if the transaction between the parent company and a subsidiary has been disclosed by the parent company, it need not be disclosed by the subsidiary.
If the transaction between two subsidiaries has been disclosed by one subsidiary, it need not be disclosed by the other subsidiary.
(1) Parent company to subsidiaries.
(2) Subsidiaries to parent company.
(3) Inter-subsidiary

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items and on interim accumulated amount to consolidated net revenue for profit or loss items.

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

Note 5: In Q319 the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.

Note 6: The disclosure standard is more than $150 million for the transaction amount.

Note 7: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Invested Companies (not including investee companies in Mainland China)
For the Nine Months Ended September 30, 2019

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 7

Investee Company	Name of Investee Company	Place of Registration	Main Businesses	Original Investment Amount (Note 2)		Shares Held as of September 30, 2019			Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3)	Note
				September 30, 2019	December 31, 2018	Number of Shares	Ratio	Carrying Amount (Note 3)			
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Holdings and production and sale of sports and outdoor shoes	$5,307,307	$5,060,747	1,385,900,000	100	$ 8,253,284	$ 904,503	$ 904,503	Subsidiary
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Cambodia	Production and sale of sports and outdoor shoes	1,518,038	1,518,038	-	100	2,073,559	444,834	444,834	Subsidiary
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Cambodia	Processing and sale of clothing	427,675	427,675	-	91.27	218,045	(9,076)	(8,284)	Subsidiary
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Production of sports and outdoor shoes	916,026	566,107	-	100	1,010,677	21,218	21,218	Subsidiary
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Production of sports and outdoor shoes	1,124,503	876,428	-	100	1,114,095	55,794	55,794	Subsidiary
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	A holding company	40,449	24,731	10,618,000	100	39,854	(2,394)	(2,394)	Subsidiary
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution and import and export trade	12,395	12,395	-	100	17,156	(222)	(562)	Subsidiary
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	174,989	-	100	192,988	522	522	Subsidiary

Note 1: The company was established as a limited company with no shares issued.
Note 2: The historical exchange rate was adopted.
Note 3: In Q319, the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
For the Nine Months Ended September 30, 2019

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 8

Name of Investee Company in China	Main business activities	Paid-in Capital (Note 3)	Investment Method (Note 2)	Accumulated Amount Remitted from Taiwan to Mainland China, as of January 1,2019 (Note 5)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended September 30, 2019 (Note 5): Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended September 30, 2019 (Note 5): Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019 (Note 5)	Net income (loss) of the investee for the nine months ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized for the nine months ended September 30, 2019 (Note 4)	Book value of investments in Mainland China as of September 30, 2019 (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Note
Fujian Sunshine Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	$ 723,826	2	$ -	$ -	$ -	$ -	$ 131,322	100	139,017	$ 2,081,402	$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	1,825,033	2	-	-	-	-	69,750	100	69,193	1,759,228	-	
Sunny Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	130,680	2	-	-	-	-	23,427	100	23,427	586,772	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution and import and export trade	40,656	2	-	-	-	-	64,171	100	47,846	203,797	-	
Fujian La Sportiva Co., Ltd.	Distribution and import and export trade	67,148	2	-	-	-	-	(3,816)	60	(2,290)	22,389	-	

Note 1: On May 17, 2011, Fujian Sunshine Footwear Co., Ltd. (China) obtained approval from the local regulator to merge Heng Cheng Shoes Co., Ltd. and Yu Heng Cheng Shoes Co., Ltd. The original investment amount includes US$4,000,000 (NT$120,000,000) used to invest in Heng Cheng Shoes Co., Ltd. and Yu Heng Cheng Shoes Co., Ltd.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Investment in Mainland China companies by remittance through a third region
(2) Investment in Mainland China companies through a company invested and established in a third region
(3) Investment in Mainland China companies through an existing company established in a third region

Note 3: The historical exchange rate was adopted.

Note 4: In Q319, the exchange rates for assets and profit or loss were USD:NTD=31.04 and USD:NTD=31.0618, respectively.

Note 5: The Company was established on the Cayman Islands, which is not subject to the limits on the principle limit in the “Principles for Conducting Investment or Technical Cooperation” of the Ministry of Economic Affairs.
The Group has re-funded the investment in the amount of NT$2,590,220,000 through re-investment in Hong Kong.